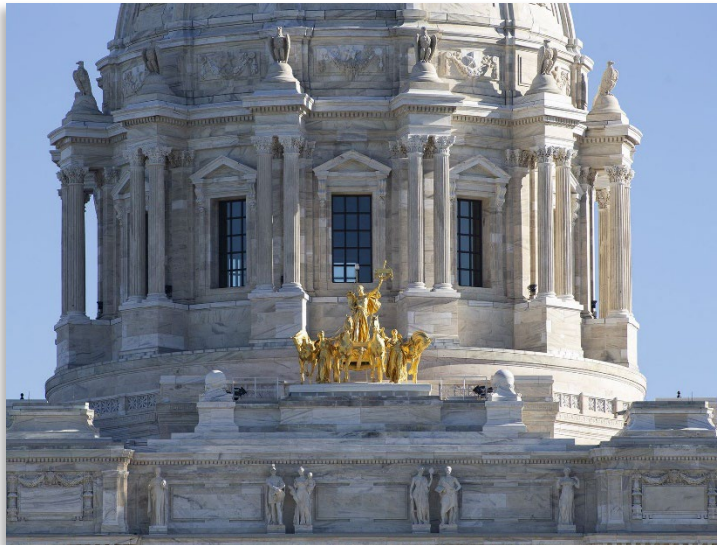


Major State Aids and Taxes: A Comparative Analysis

2020 Update



About this Publication

*A comparative analysis of
the major state aids and
taxes in Minnesota.*

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This publication was prepared by Sean Williams and Jared Swanson, legislative analysts specializing in the areas of income taxes and property taxes. Questions can be directed to Sean at sean.williams@house.mn.gov or Jared at jared.swanson@house.mn.gov.



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The 2020 Update has an online complement, which includes summary and interactive tools for regional and county-level data. The online tool replicates maps and graphs that were formerly included in the paper report. Access the online tool at www.house.mn.gov/hrd/msa.aspx.

Reader Note: This publication has been published in various forms for many years. Previous versions are available on the House Research website.

Overview

This report presents a comparative analysis of the major state aids and taxes in Minnesota. It is a reference document and is *not intended* to be a complete list of all the aids and credits paid by the state and all the taxes collected by the state. The report contains data on:

- **Major State Aids** including education aid, human services aid, highway aid, local government aid (LGA), disparity reduction aid (DRA), county program aid, community corrections funding, property tax refunds, and targeting refunds.
- **Property Tax Data** including the market value agricultural credit, school building bond credit, miscellaneous property tax credits, property tax levies by type of taxing district, and property valuation data.
- **Major State Taxes** including individual income tax, sales/use tax, motor vehicle sales tax, motor vehicle registration tax, motor fuels tax, corporate franchise (income) tax, and state general levy.

Some of the content that was included in earlier versions of the report has been moved to an interactive online tool. These changes are outlined below. This year's report is divided into two major sections:

Section 1 discusses the state aids, property tax data, and state taxes and gives the assumptions and caveats for using the report. It contains current and historical data using graphs, and tables in both total dollars and on a per capita basis.

Section 2 presents statewide summary data. The section contains the summary data for the most recent available year on the statewide totals and compares the metro and the nonmetro economic development regions to each other.

Throughout the report, dollar values are rounded to the nearest whole dollar, unless otherwise noted. Percentage values are rounded to the nearest one-tenth of 1 percent (0.1 percent). As a result, rounded values may not exactly sum to 100 percent.

Changes to Report

Beginning with the 2019 update (containing data for 2016), summary and regional data formerly found in the report have been moved to an interactive online tool.¹ The interactive tool has the capacity to produce the same tables and maps used in earlier versions of the report, along with additional maps and graphs. The paper version of the report still contains current and historical data for each major state aid/credit and tax, but the maps associated with each have also been moved to the online tool.

Effects of the COVID-19 Pandemic on Major State Aids and Taxes

The COVID-19 pandemic began in 2020 and resulted in significant changes to the state economy and a large public sector response to the pandemic. As a result, the data presented in this report may reflect the effects of the pandemic on the state and local government fiscal relationship, the economic effects of the pandemic, and federal aid to the state to respond to the pandemic. The data captured in the report do not tell a single picture, and it is difficult to disentangle the effects of the pandemic, the effects of federal fiscal aid to the state, and state policy changes enacted by the Minnesota Legislature.

Total state tax collections fell for the first time since 2019, but the effects were not uniform by tax type. Sales and corporate franchise tax collections grew, while motor vehicle sales and fuels taxes fell. Individual income taxes for returns filed in 2020 fell, but those returns were based on 2019 incomes, and the decrease likely reflected a significant tax cut enacted by the 2019 Legislature. Similarly, the state general levy fell, but that change was the result of a 2019 law change.

Total state aids and credits grew, but the growth was similar to the pre-pandemic trend. There were no obvious categories of aids that grew at faster than trend in a way that suggests the growth was the result of pandemic aid from the federal government. It is possible that the full effects of the pandemic will be clearer in 2021 data.

¹ www.house.mn.gov/hrd/msa.aspx

2020 Aids and Taxes

The total taxes presented in this report **are not the total of all taxes collected by the state.**² The total state net tax receipts were about \$26.7 billion in fiscal year 2019 and \$26.2 billion in fiscal year 2020.³ Therefore, the \$21.6 billion total taxes listed in this report (residents and nonresidents) is about 82 percent of the total taxes actually collected over that period. In terms of revenue generated in fiscal year 2020, the most significant taxes not included in the report are tobacco taxes, gross earnings taxes, other excise taxes, the provider tax, and estate taxes.

The taxes presented in this report are the latest available data and/or the next data in sequence to the previous report. In some cases, a tax may be collected across multiple fiscal years. For example, income taxes for tax year 2019 were partially paid through withholding and estimated payments in calendar year 2019, and final payments during calendar year 2020. As a result, income taxes for tax year 2019 are collected in fiscal years 2019, 2020, and 2021. To address these issues, the report includes data for a given tax that most closely matches fiscal year 2020.

Statewide

The state aids and credits listed in this report total about \$20.0 billion, an increase of 5.4 percent from the previous year. The totals of the seven major taxes listed in this report equal \$20.9 billion paid by residents and an additional \$0.7 billion paid by nonresidents (for a total tax amount of \$21.6 billion), a decrease of 5.8 percent from the previous year.

Local property tax levies in the report total about \$10.4 billion, an increase of 5.5 percent from the previous year. Property tax refunds increased about 5.3 percent, to about \$767 million, over the same time period.

Metro/Nonmetro

The state aids and credits for the seven-county metro area total about \$10.9 billion, an increase of 6.4 percent from the previous year. The major taxes for the metro area equal about \$13.7 billion, a decrease of about 0.7 percent from the previous year.

Local property tax levies in the metro area total about \$6.4 billion, an increase of 5.3 percent from the previous year. Property tax refunds paid in the metro area total about \$509 million, an increase of 4.1 percent over the same time period.

² Taxes not contained in the report include estate, mortgage registry and deed, insurance gross premiums, the health care provider tax (MinnesotaCare tax), mineral, cigarette and tobacco products, lawful gambling, and alcoholic beverages. The collections from some of these taxes are dedicated for specific purposes, and amounts are not available by county.

³ Minnesota Management and Budget, *Consolidated Fund Statement, 2021 November Forecast*, December 14, 2021, <https://mn.gov/mmb-stat/documents/budget/operating-budget/forecast/nov-2021/nov21-cfs.pdf>.

The state aids and credits contained in this report for the nonmetro area of the state total about \$9.0 billion, an increase of 4.5 percent from the previous year. The major taxes for the nonmetro area equal about \$7.2 billion, a decrease of 0.2 percent from the previous year.

Local property tax levies in the nonmetro area of the state total about \$4.0 billion, an increase of 5.7 percent for the previous year. Property tax refunds paid in the nonmetro area total about \$258 million, an increase of 7.6 percent over the same time period.

2020 Aids and Taxes
(Amounts shown in \$ billions)

	Total Aids and Credits	Total Taxes
Metro	\$10.9	\$13.7
Nonmetro	\$9.0	\$7.2
Statewide Total		
Residents Only	\$19.9	\$20.9
Nonresidents Included	\$19.9	\$21.6

Five-Year Trends

Amounts shown in the statewide table include taxes paid by residents and nonresidents. The amounts paid each year by out-of-state taxpayers have not been allocated to any county. Thus, the annual amounts in the metro/nonmetro table will not total to the annual amounts in the statewide table.

Statewide

(Amounts shown in \$ billions)

	2016	2017	2018	2019	2020	5-Year Change
Total Aids and Credits	\$16.8	\$17.5	\$18.7	\$18.9	\$19.9	\$3.1 (18.5%)
Total Taxes	\$20.1	\$20.4	\$21.4	\$23.0	\$21.6	\$1.5 (7.5%)

Metro/Nonmetro

(Amounts shown in \$ billions)

	2016	2017	2018	2019	2020	5-Year Change
Metro						
Total Aids and Credits	\$9.1	\$9.5	\$10.1	\$10.3	\$10.9	\$1.8 (19.8%)
Total Taxes	\$12.2	\$12.3	\$13.0	\$13.8	\$13.7	\$1.5 (12.3%)
Nonmetro						
Total Aids and Credits	\$7.7	\$8.0	\$8.5	\$8.7	\$9.0	\$1.3 (16.9%)
Total Taxes	\$6.4	\$6.6	\$6.7	\$7.3	\$7.2	\$0.8 (12.5%)

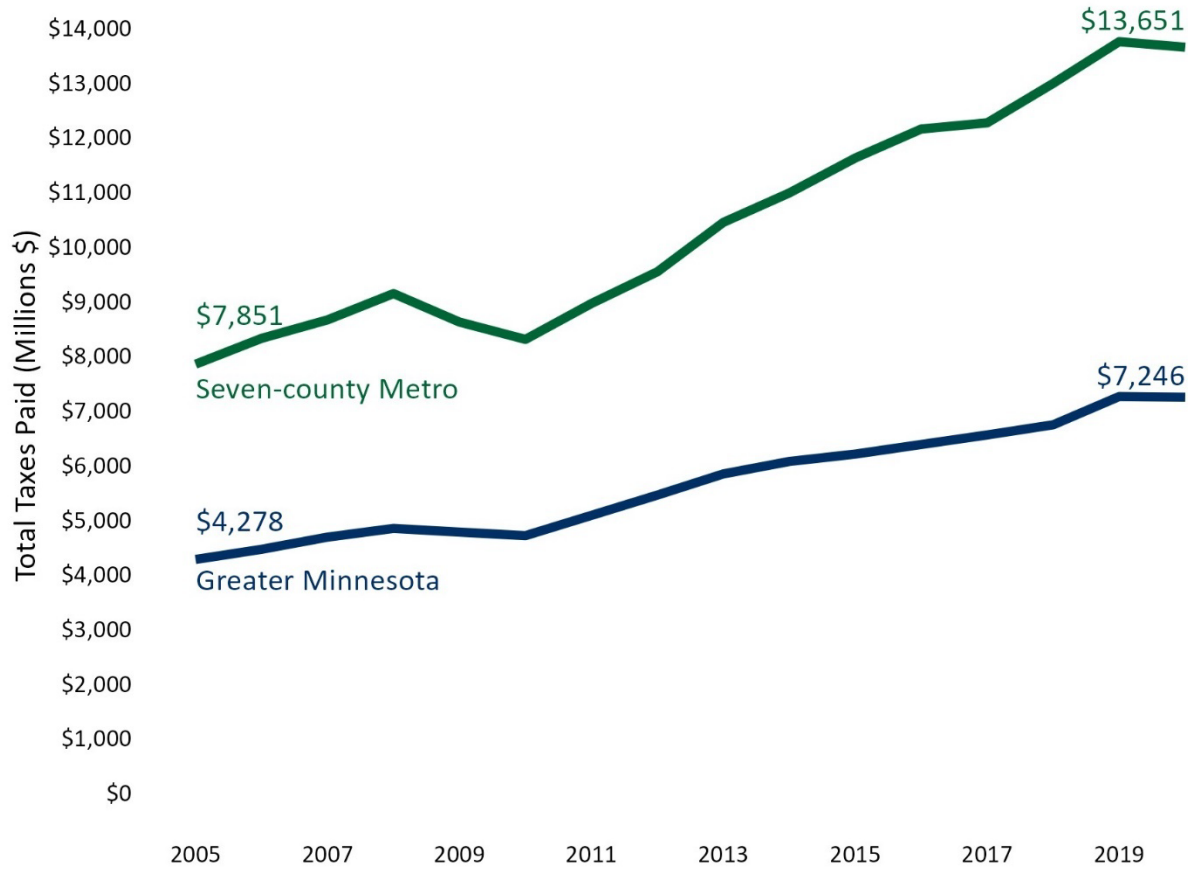
Long-Term Trends

Trend in total taxes paid

Historically, the seven-county metro has paid more in taxes than greater Minnesota, both in terms of total taxes paid and per capita taxes paid. Since 2005, the relative amount of taxes paid by the metro in comparison to greater Minnesota has increased on an absolute basis, but has decreased on a per capita basis.

In 2005, the seven-county metro paid about 83.5 percent more in taxes (\$7.85 billion) than greater Minnesota (\$4.28 billion). That ratio grew to 88.4 percent in 2020 (\$13.65 billion for the metro and \$7.25 billion for greater Minnesota).

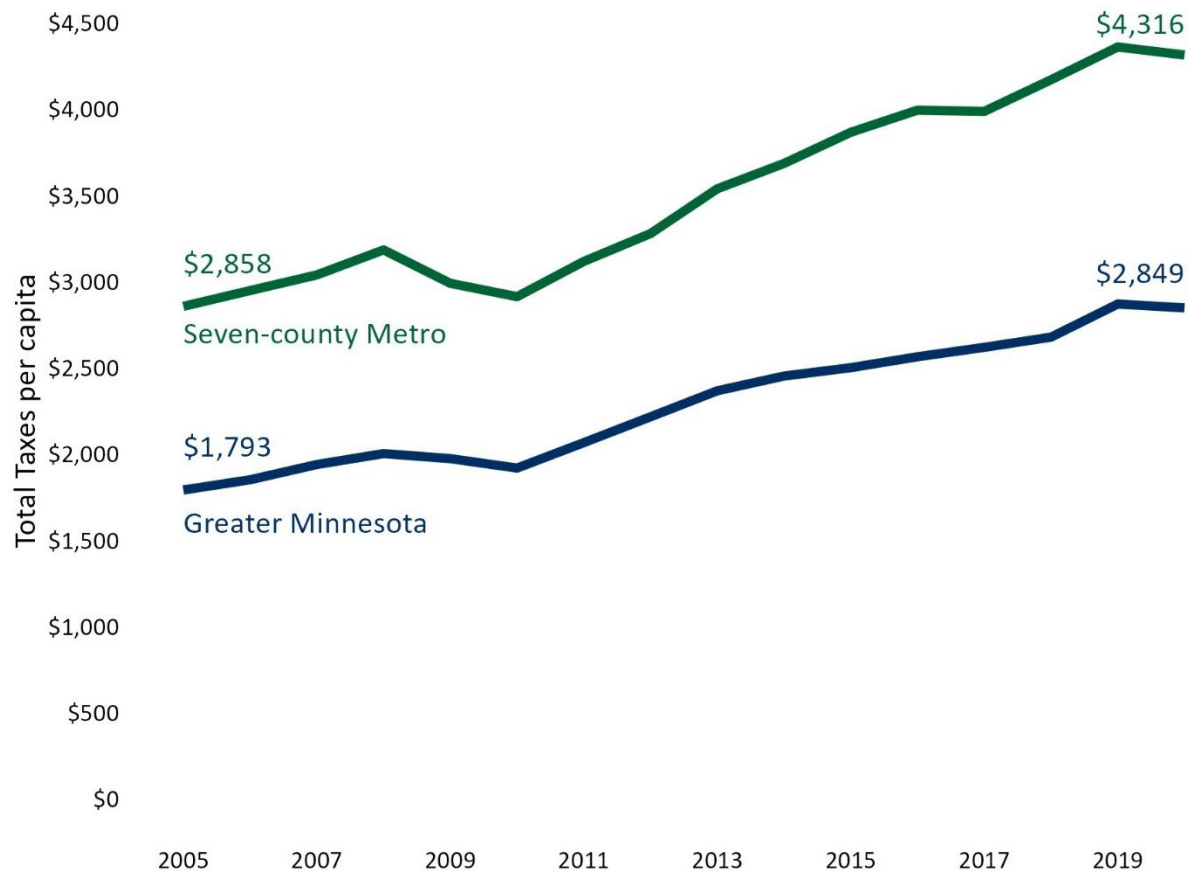
Total Taxes Paid in the Seven-County Metro and Greater Minnesota, 2005 to 2020
 Amounts in nominal millions of dollars



House Research Department. Major State Aids and Taxes, 2020 Update.

In 2005, the seven-county metro paid about 59.3 percent more in taxes per capita (\$2,858) than greater Minnesota (\$1,793). That ratio decreased to 51.5 percent in 2020 (\$4,316 for the metro and \$2,849 for greater Minnesota).

Taxes Paid Per Capita in the Seven-County Metro and Greater Minnesota, 2005 to 2020
Amounts in nominal dollars per capita



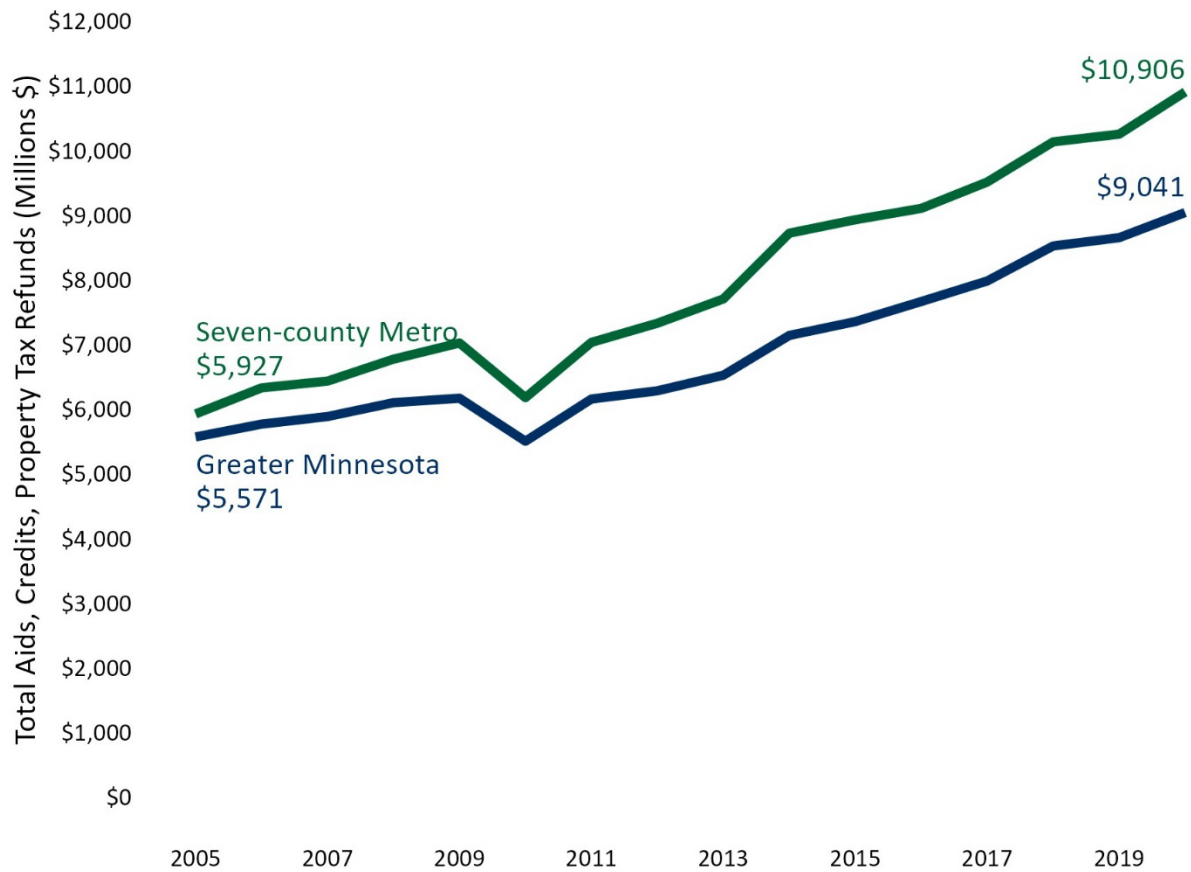
House Research Department. Major State Aids and Taxes, 2020 Update.

Trend in total aids, credits, and property tax refunds

Since at least 2005, the seven-county metro has historically received more in aids, credits, and property tax refunds on an absolute basis, but—with the exception of 2014—greater Minnesota has received more aids, credits, and property tax refunds on a per capita basis. The gap between the seven-county metro and greater Minnesota has grown in absolute terms, but has not changed significantly on a per capita basis.

The metro received 6.3 percent more in aids, credits, and property tax refunds in 2005, but that gap grew to 20.6 percent in 2020. The growth in this gap may reflect faster population growth in the metro—which grew 15.1 percent over that period—compared to greater Minnesota, which grew only 6.6 percent.

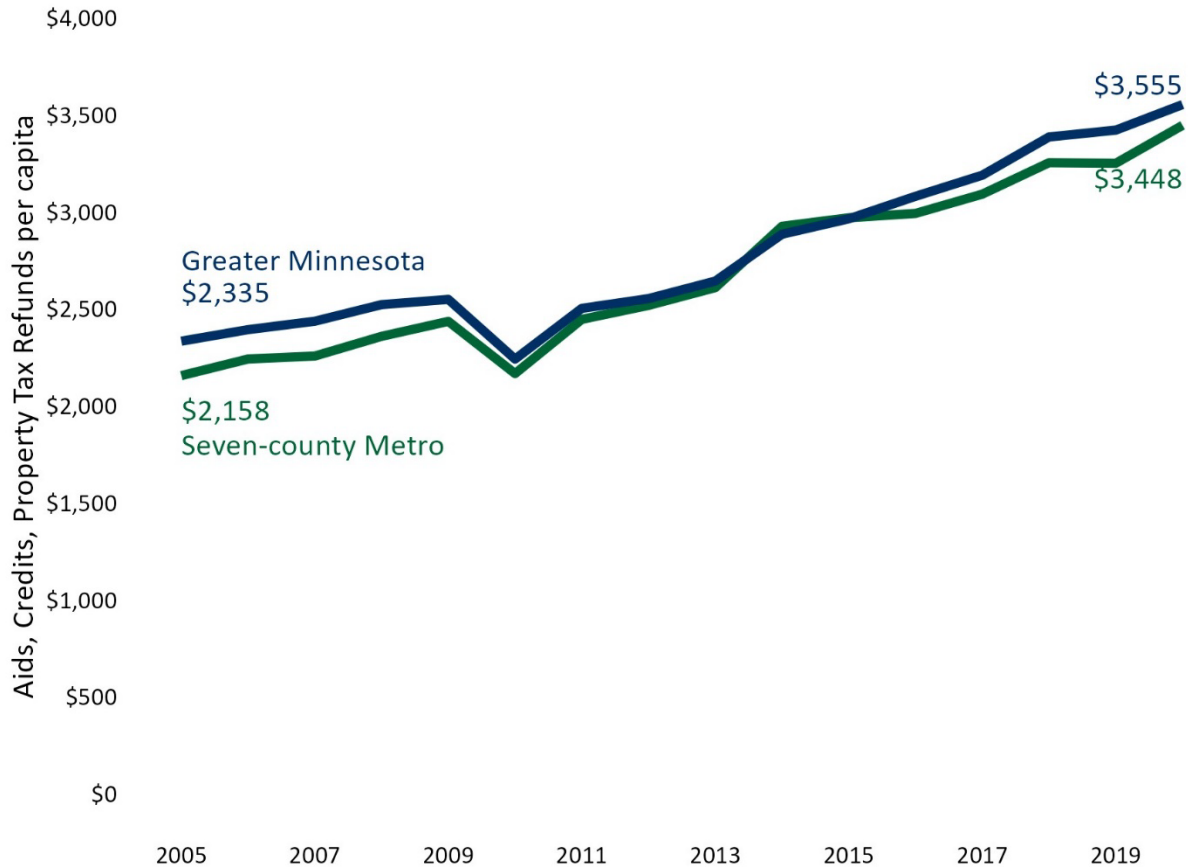
Total Aids, Credits, and Property Tax Refunds, Metro and Greater Minnesota
 Amounts in nominal millions of dollars



House Research Department. Major State Aids and Taxes, 2020 Update.

Greater Minnesota has historically received slightly more aids, credits, and property tax refunds per capita, but the amounts received by the metro have been similar. In 2014, the metro actually received more aids, credits, and property tax refunds per capita. In recent years, the gap between greater Minnesota and the seven-county metro has been growing, with greater Minnesota receiving about 3.1 percent more aids, credits, and property tax refunds in 2020.

Total Aids, Credits, and Property Tax Refunds, Metro and Greater Minnesota
 Amounts in nominal dollars per capita



House Research Department. Major State Aids and Taxes, 2020 Update.

Section 1: Current and Historical Data

Section 1 contains the most recent available data for the major state aids, credits, and taxes and describes the programs under the general categories in the tables of this report. The assumptions and caveats for using the report are mentioned in this section. In addition to information from the most recent year, section 1 also contains historical information. The data is for a five-year time period.

Section 1 is divided into three parts:

- Major state aids
- Property tax data
- Major state taxes

Some of the data in this section are county-level, while other tables and graphs are by Economic Development Region⁴ or groupings of regions. One table and one graph use northern and southern groupings of the 80 nonmetro counties. The groupings were selected for convenience, rather than for any specific analytical purpose. The northern and southern regions are grouped as follows:

Northern Regions		Southern Regions	
1	Northwest	6E	Six East
2	Headwaters	6W	Upper Minnesota Valley
3	Arrowhead	7W	Central Minnesota
4	West Central	8	Southwest
5	Five	9	Nine
7E	East Central	10	Southeastern Minnesota

The seven metro counties are not included in either the northern or southern regions and are region 11.

The standard format for each aid or tax consists of three or four pages of information. The first one to two pages provide a program description of the aid or tax. Any recent law changes that affect the program and are important in analyzing the data are noted on these pages. Following the program description is a table containing the historical data for the state and its geographic areas. Lastly, there is a statewide graph containing a trend of the data in nominal dollars and in constant dollars, adjusted for inflation using the implicit price deflator for state and local government expenditures. This is the only place where amounts presented are adjusted for inflation.

⁴ Department of Employment and Economic Development, Economic Development Regions, apps.deed.state.mn.us/assets/lmi/areamap/edr.shtml.

Major State Aids

Education Aid

Program Description

Education aid is the total amount of state aid paid to school districts for all K-12 educational purposes. This amount includes state aid for general education, special education, transportation, community education, capital expenditure, secondary vocational, and other miscellaneous programs. About 73 percent of the total aid (including aid to charter schools) is general education aid.

Aid Amount and Reporting

2019/2020 Education Aid: \$9.4 billion

The total education aid for the 2019/2020 school year is \$9,404,401. This total includes \$843,758,090 that went to the 169 charter schools that received funding in the 2019/2020 school year. The amounts received by school districts for property tax credits (i.e., agricultural market value credit, taconite homestead credit, disparity reduction credit, etc.) are not included in this amount since they are itemized elsewhere in the report.

Education aid is paid to school districts, many of which operate in more than one county. Education aid paid to school districts that operate in more than one county is apportioned to the various counties based on each county's share of total residential market value in the school district. For example, if one-fifth of the residential market value of a school district is in County A, two-fifths in County B, and the remaining two-fifths in County C, then one-fifth of the school district's education aid is apportioned to County A, two-fifths to County B, and two-fifths to County C. Aid to charter schools is reported in the county in which each school is located.

The 2019/2020 education aid total does not include the following amounts paid to entities other than school districts:

- \$145.0 million to intermediate school districts⁵
- \$91.5 million to cooperative school organizations
- \$36.5 million to colleges and universities participating in the postsecondary enrollment options (PSEO) program
- \$25.1 million to Head Start programs
- \$19.9 million to regional libraries
- \$6.9 million to nonprofits operating adult basic education
- \$3.4 million to the Faribault Academies for the Deaf and Blind
- \$1.4 million to four Tribal contract schools

⁵ An intermediate school district is an educational cooperative authorized by statute and voluntarily created by participating school districts. Intermediate school districts offer special education services, vocational services, alternative learning programs, and administrative services for member school districts.

Education aid by home county⁶ by school district was obtained from the Minnesota Department of Education.

The Past Five Years of Education Aid

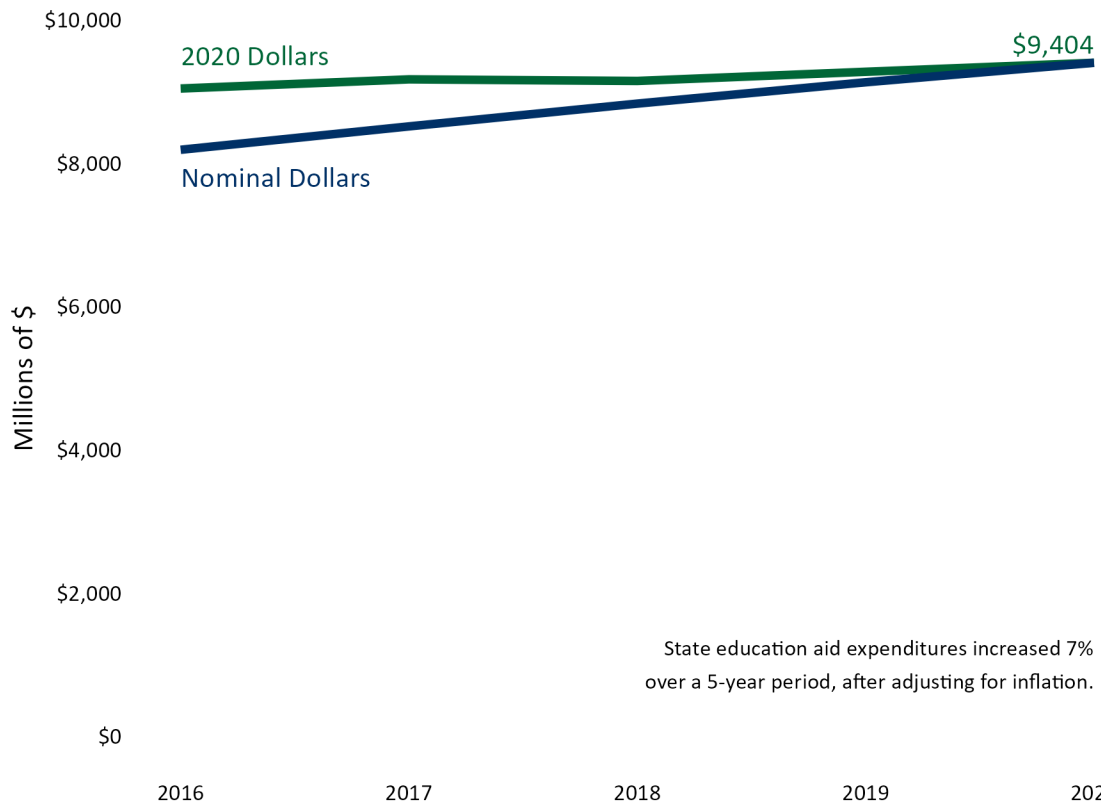
The table shows the distribution of education aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of education aid for the same time period in nominal and constant (inflation-adjusted) dollars.

Education Aid: 2015/2016 School Year to 2019/2020 School Year
Nominal dollars, in thousands

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	5-Yr. Chg. Aid
State	\$8,190,071	\$8,516,442	\$8,834,494	\$9,132,370	\$9,404,401	15%
<u>Northern Regions</u>						
Northwest (1)	135,179	140,313	143,381	148,045	152,457	13
Headwaters (2)	146,686	155,411	160,312	163,878	171,108	17
Arrowhead (3)	417,594	431,838	445,109	455,374	471,746	13
West Central (4)	318,237	335,175	345,179	361,389	377,774	19
Five (5)	235,640	246,025	254,065	265,945	274,232	16
East Central (7E)	228,932	236,415	243,920	247,110	252,772	10
<u>Southern Regions</u>						
Six East (6E)	170,546	178,913	186,459	194,395	201,232	18
Upper MN Valley (6W)	67,158	70,349	73,157	76,476	78,975	18
Central MN (7W)	645,483	676,944	702,682	731,079	752,021	17
Southwest (8)	189,529	198,015	206,743	223,823	227,668	20
Nine (9)	297,002	309,368	321,421	337,230	350,491	18
Southeastern MN (10)	720,572	750,888	777,947	807,343	835,060	16
Total Nonmetro	\$3,572,558	\$3,729,654	\$3,860,377	\$4,010,088	\$4,145,537	16%
<u>Metro Region</u>						
Hennepin County	1,756,907	1,818,622	1,892,019	1,943,096	1,990,393	13
Ramsey County	902,050	933,610	961,751	988,864	1,007,741	12
Remaining Metro	1,958,556	2,034,555	2,120,348	2,190,323	2,260,729	15
Total Metro	\$4,617,513	\$4,786,788	\$4,974,117	\$5,122,283	\$5,258,863	14%

⁶ A district's "home county" is the county in which the district's main administrative office is located.

Statewide Education Aid, 2016-2020



State education aid expenditures increased 7% over a 5-year period, after adjusting for inflation.

House Research Department. Major State Aids and Taxes, 2020 Update.

Human Services Aid

Program Description

Human services aid is the total amount of state aid for human services programs, including all income maintenance and social service programs. Although the federal government and the counties contribute money to programs in varying degrees, the amounts in this report reflect only the state's share of the human services costs.

Aid Amount and Reporting

2020 Human Services Aid: \$7.6 billion

The state's share of the human services expenditures for calendar year 2020 is \$7,569,448,837. The table shows the dollar amount of each of the major income maintenance and social service programs, and the share of total human services funding.

Type of Program	Amount	Percent
Medical Assistance (MA)	\$4,865,557,188	64.1%
Minnesota Family Investment Program (MFIP)	96,493,220	1.3%
General Assistance (GA)	50,558,231	0.7%
MinnesotaCare (MNCare)	29,713,006	0.4%
Social Services (including Community Social Services Act)	2,368,267,690	31.2%
Miscellaneous:		
Minnesota Supplemental Assistance	46,539,587	0.6%
Housing Support	136,268,121	1.8%
Supplemental Nutrition Assistance Program (SNAP)	1,391,589	0.0%
Title IV Child Support	1,660,205	0.0%
Total	\$7,596,448,837	100.0%

State MFIP spending shown in this report is before offsetting any current year child support collections applied against current and prior years' MFIP payments. In calendar year 2020, MFIP spending in Minnesota totaled \$374.3 million. Of this amount:

- \$222.6 million was paid by the federal government,
- \$75.5 million was paid by state government,
- \$29.7 million was paid by county governments, and
- \$46.6 million was paid in child support collections that offset state and federal payments. Half of these collections offset federal costs and half offset state costs.

State MFIP payments described in this report are the \$75.5 million net amount paid by the state, plus the portion of child support that offset state payments (about \$23.3 million).

The human services amounts, other than MinnesotaCare, are not available by county in four cases where the listed counties jointly provide services through a combined program:

- Des Moines Valley Health and Human Services (DVHHS)—Cottonwood and Jackson
- Human Service Board—Faribault and Martin
- Minnesota Prairie (MN Prairie)—Dodge, Steele, and Waseca
- Southwest Health and Human Services (SWHHS)—Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock

In these four groups, human services aid is administered through a “home” county: Jackson in DVHHS, Martin in the Human Service Board, Steele in MN Prairie, and Lyon in SWHHS. The total human services amount for DVHHS is \$35.3 million, for the Human Service Board is \$54.9 million, for MN Prairie is \$85.1 million, and for SWHHS is \$105.6 million. An amount for these 13 counties was estimated using population, and the estimated amounts appear in the county tables on the interactive tool. Human services aid data was obtained from the Department of Human Services, Financial Management Division.

The Past Five Years of Human Services Aid

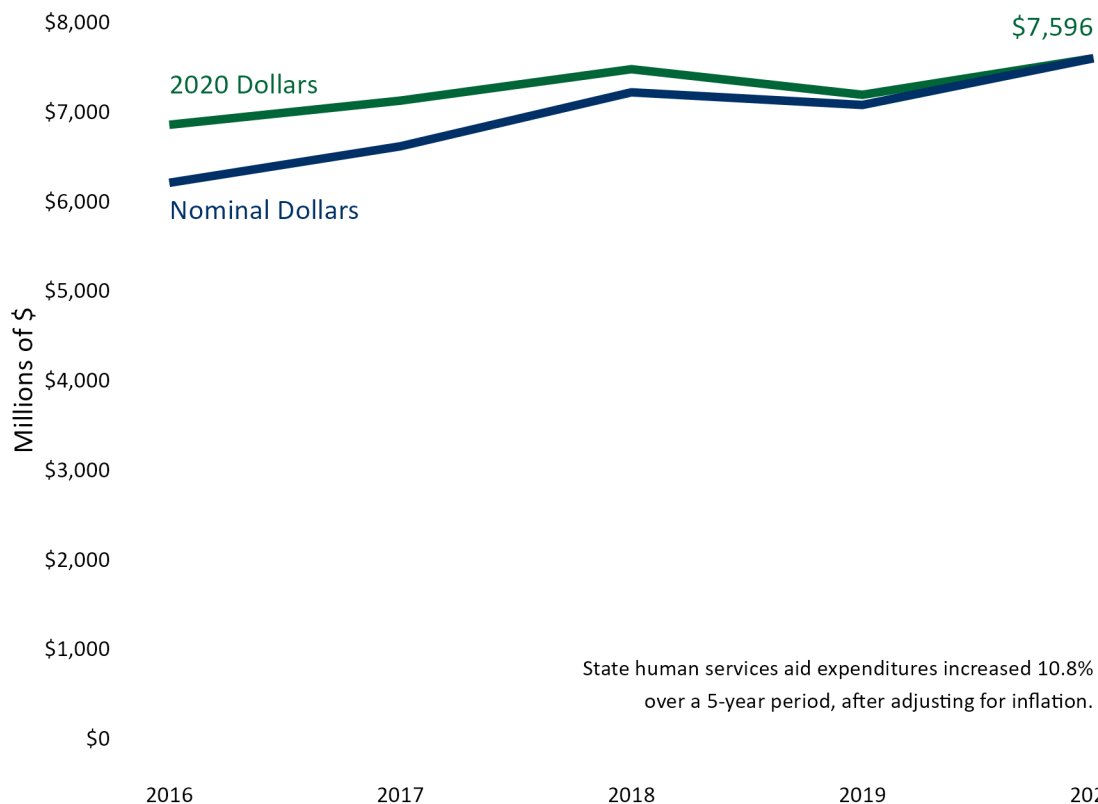
The table below shows the distribution of human services aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of human services aid for that same time period in nominal and constant (inflation-adjusted) dollars.

Human Services Aid: Calendar Years 2016 to 2020
Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Aid
State	\$6,205,627	\$6,613,083	\$7,215,917	\$7,074,955	\$7,596,449	22%
<u>Northern Regions</u>						
Northwest (1)	108,049	113,113	125,816	117,007	125,425	16
Headwaters (2)	136,001	140,890	156,041	156,851	168,325	24
Arrowhead (3)	459,848	467,481	527,345	496,196	527,531	15
West Central (4)	266,642	277,900	304,037	294,320	316,683	19
Five (5)	223,101	232,315	249,611	240,677	263,794	18
East Central (7E)	176,977	229,191	198,084	203,282	219,915	24
<u>Southern Regions</u>						
Six East (6E)	129,944	134,616	148,429	143,953	155,237	19

	2016	2017	2018	2019	2020	5-Yr. Chg. Aid
Upper MN Valley (6W)	62,209	62,008	71,331	68,745	75,090	21
Central MN (7W)	352,802	377,410	415,048	416,789	342,567	-3
Southwest (8)	138,080	137,743	161,550	150,724	165,635	20
Nine (9)	235,233	245,643	270,234	260,681	283,433	20
Southeastern MN (10)	485,864	512,277	560,070	552,873	589,119	21
Total Nonmetro	\$2,774,749	\$2,930,586	\$3,187,598	\$3,102,097	\$3,232,755	17%
Metro Region						
Hennepin County	1,619,188	1,731,686	1,902,234	1,869,218	2,045,449	26
Ramsey County	832,146	894,235	970,040	947,303	1,034,540	24
Remaining Metro	979,526	1,056,539	1,156,046	1,156,329	1,283,704	31
Total Metro	\$3,430,860	\$3,682,460	\$4,028,319	\$3,972,850	\$4,363,694	27%

Statewide Human Services Aid, 2016-2020



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Highway Aid

Program Description

Highway aid is the total amount of state aid distributed to counties, cities, and towns for highway purposes. The main 2020 sources of funds are the Highway User Tax Distribution (HUTD) fund, which receives money from the motor fuels tax, the motor vehicle registration tax, part of the motor vehicle sales tax, and portions of states sales taxes (namely, on automotive parts as well as on vehicle rentals; general sales tax revenue from motor vehicle leases; and proceeds from state bonds.

Most of the aid is distributed according to a combination of multiple constitutional and statutory formulas. The formula for the largest amounts aid is established in the Minnesota Constitution to distribute money in the HUTD fund. Under the constitution, 95 percent of the HUTD fund is distributed as follows:

- 29 percent is allocated to the County State-Aid Highway Fund for allocation by statutory formula among the counties
- 9 percent goes to the Municipal State-Aid Street Fund for formula-based aid cities with populations over 5,000
- 62 percent goes to the Trunk Highway Fund for the state highway system

Allocation of the remaining 5 percent of the HUTD fund is determined by the legislature. Following a statutory formula, a little under half is used for town roads and town bridges. The rest goes into a flexible highway account used for road improvements on “turnbacks” in which trunk highways are generally converted to become part of local road systems.

Aid Amount and Reporting

2020 Highway Aid: \$1.1 billion

The total \$1.1 billion in state highway aid paid in calendar year 2020 to the counties, cities (i.e., municipal), and towns is shown by category in the following table. Road and bridge bond funding amounts are the total expenditures made during 2020 (using the proceeds from state bonds that had been authorized that year or in previous years).

Type of Highway Aid	Amount	Total
County Aid		
County State-Aid Highway	\$674,570,675	
County Road and Bridge Bond Funding	75,317,656	
Motor Vehicle Lease Sales Tax Aid	<u>37,419,968</u>	
County Aid Total		\$787,308,299

Type of Highway Aid	Amount	Total
Municipal Aid		
Municipal State-Aid Street	\$210,245,736	
Municipal Road and Bridge Bond Funding	<u>55,668,222</u>	
Municipal Aid Total		\$265,913,958
Township Aid		
Town Road Account	\$37,697,085	
Town Bridge Account*	13,842,864	
Town Bridge Bond Funding	<u>0</u>	
Township Aid Total		\$51,539,949
Total Highway Aid		\$1,104,762,206
* The Department of Transportation sets aside a portion of Town Bridge Account funding for flexible distribution as needed throughout the state. Amounts in this special Town Bridge Account set-aside are not always spent within the calendar year and are not included in this report.		

County and municipal turnback money is not included in the state totals. This money is used to repair former state highways that have been or are being “turned back” to counties and municipalities. In 2020, the state allocated approximately \$66.1 million to the county turnback account, \$0 to the municipal turnback account, and \$0 for trunk highway turnbacks (administered by Department of Transportation district offices). There were disbursements of \$46.6 million to counties and \$0 to municipalities. The amount disbursed for trunk highway turnbacks is not available. The amount spent on turnbacks in each county is not readily available.

In fiscal year 2020, total highway funding from state sources other than bond proceeds amounted to nearly \$2.52 billion for both state and local road systems.

Highway aid data was obtained from the Department of Transportation.

Recent Law Changes

The 2023 Legislature enacted several changes to the highway finance structure, including to modify and increase some transportation-related taxes, impose a new retail delivery fee (which first went into effect in 2024 and is therefore not reflected in the aid amounts shown in this publication), create a regional transportation tax in the Twin Cities metropolitan area, redirect some revenue from the state general sales tax attributed to automotive parts, and establish new associated accounts and allocation formulas. A few of the changes are described in later sections on the major taxes.

Among notable changes prior to that, the 2017 Legislature reallocated a number of state sales tax streams to transportation purposes (instead of the general fund), including a portion of

general sales tax revenue attributed from automotive parts sales, general sales tax revenue due to short-term vehicle rentals, collections from a separate vehicle rental tax, and an increased share of sales tax revenue resulting from long-term motor vehicle leases. The law also modified distribution of general sales tax revenue on motor vehicle leases.

The legislature has periodically authorized bonding for local roads and bridges. There were no additional bonds in fiscal year 2016, followed by authorizations that totaled \$238.7 million in 2017, and \$110.1 million in 2018, no amount in 2019, \$266.7 million in 2020, no additional amounts in 2021 or 2022, and \$222.8 million in 2023. The amounts include bond funding for local road and bridge programs, specific projects, and highway-rail grade crossing and grade separation projects. This report shows local road and bridge bonding amounts in the year the bond proceeds were expended, which are generally delayed after they were authorized. (The lag is largely because bonds are sold based on the annual cash flow needs of funded projects rather than all at once.)

The Past Five Years of Highway Aid

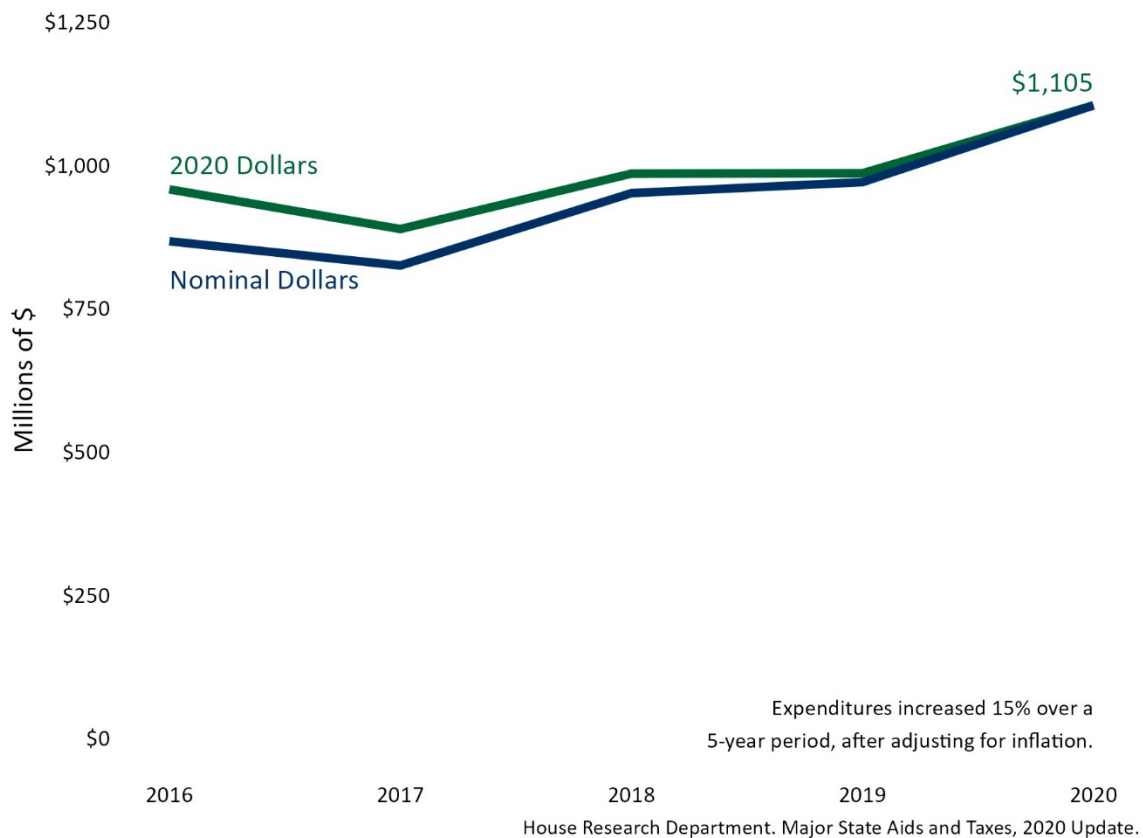
The table below shows the distribution of highway aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of highway aid for that same time period in nominal and constant (inflation-adjusted) dollars.

Highway Aid: Calendar Years 2016 to 2020
Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Aid
State	\$867,629	\$825,307	\$951,555	\$970,715	\$1,104,762	27%
<u>Northern Regions</u>						
Northwest (1)	40,668	40,014	44,426	44,022	50,696	25
Headwaters (2)	24,354	23,552	28,304	26,636	29,826	22
Arrowhead (3)	85,094	78,001	83,712	81,803	88,380	4
West Central (4)	58,576	57,250	72,603	92,175	80,724	38
Five (5)	32,832	32,573	36,312	40,549	41,715	27
East Central (7E)	30,203	29,811	34,911	33,997	35,377	17
<u>Southern Regions</u>						
Six East (6E)	26,692	26,363	29,177	31,579	35,351	32
Upper MN Valley (6W)	20,707	20,034	23,726	24,209	28,925	40
Central MN (7W)	47,390	47,829	50,788	52,525	60,321	27
Southwest (8)	43,903	43,774	51,978	53,458	63,108	44

	2016	2017	2018	2019	2020	5-Yr. Chg. Aid
Nine (9)	54,420	53,253	62,286	62,345	71,207	31
Southeastern MN (10)	87,506	85,797	97,662	97,779	107,717	23
Total Nonmetro	\$552,345	\$538,249	\$615,886	\$641,077	\$693,345	26%
Metro Region						
Hennepin County	116,100	94,598	111,556	109,545	148,693	28
Ramsey County	54,613	46,706	56,245	48,129	66,444	22
Remaining Metro	144,571	145,755	167,867	171,963	196,280	36
Total Metro	\$315,284	\$287,058	\$335,668	\$329,637	\$411,417	30%

State Highway Aid, 2016-2020



Local Government Aid (LGA)

Local government aid (LGA) is a state program that provides property tax relief by giving general purpose financial support to cities. “Ability to pay” and “need” are the measures used in the formula. Ability to pay is the city’s adjusted net tax capacity multiplied by the average city tax rate.

The legislature enacted the LGA formula used for the 2019 distribution during the 2013 session, effective beginning with aids payable in 2014. In 2023, the legislature updated the formula, but for the 2020 distribution of LGA, the formula contained three measures of need depending on a city’s size:

- for small cities, with a population less than 2,500, need is based on the city size, up to a maximum per capita amount, and a sparsity adjustment for any city with a population density less than 30 per square mile;
- for medium cities, with a population of at least 2,500 but less than 10,000, need is based on (1) percent of housing built before 1940, (2) household size, (3) population decline from a city’s peak population in the last 40 years, and (4) a sparsity adjustment for any city with a population density less than 30 per square mile; and
- for large cities, with a population of 10,000 or more, need is based on (1) jobs per capita, (2) age of housing stock (both housing built before 1940 and housing built between 1940 and 1970), and (3) a sparsity adjustment for cities with a population density less than 150 per square mile.

If the aid a city received in the previous year exceeds its “unmet need” (the difference between its need and its ability to pay), its aid is reduced to its unmet need. All other cities receive an amount equal to their previous year’s aid plus an additional amount based on their unmet need.

Aid Amount and Reporting

2020 Local Government Aid: \$560.4 million

The 2020 certified LGA total was \$560.4 million.

LGA data was obtained from the Department of Revenue.

Recent Law Changes

LGA formula and appropriation changes in 2023

The city LGA formula and appropriation was changed in 2023, with the changes going into effect beginning with aids payable in 2024. The annual appropriation was increased by \$80 million, and several formula factors were changed. Future versions of this report will detail the formula changes.

LGA appropriation change in 2019

The city LGA appropriation was increased by \$26 million for aids payable in 2020 with an additional \$4 million beginning in 2021. The aid appropriation was \$564,398,012 for aids payable in 2021 through 2023. Also, for calendar year 2020 only, no city's aid amount could be less than its aid in 2019.

LGA formula and appropriation changes in 2017

Several minor changes were made to the existing city LGA program during the 2017 session, affecting aids payable in 2018 and thereafter, including:

- A formula correction to ensure that no cities' aid could be reduced below their "unmet need" amount. Although 24 cities have their aid reduced below their unmet need in calendar year 2017, no correction is made to their 2017 payments, nor is the starting point for calculating their 2018 payments adjusted to reflect the 2017 error.
- A sparsity measure was added to the medium and small cities need formula for cities with a population density less than 30 persons per square mile.
- The transition range used to move a city from the need formula for medium-size cities to the formula for large cities is expanded by 500 people, to cover the range of 10,000 to 11,000 population.
- For aids paid in calendar year 2019 only, 29.2 percent of each city's July payment was paid a month early—by June 15, 2019, to balance the state's biennial budget.
- The city LGA appropriation is permanently increased by \$15 million beginning with aids payable in 2018.

The Past Five Years of Local Government Aid

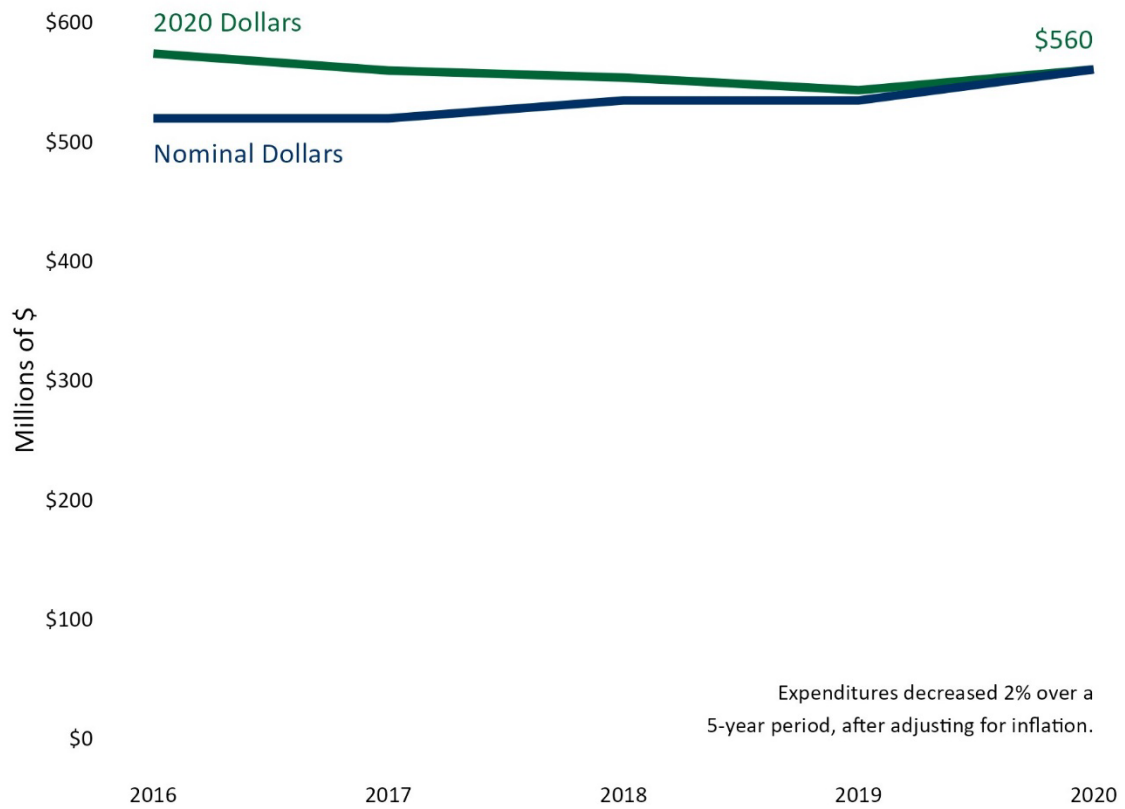
The table below shows the distribution of LGA in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of LGA for that same time period in nominal and constant (inflation-adjusted) dollars.

Local Government Aid: Calendar Years 2016 to 2020
Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Aid
State	\$519,398	\$519,398	\$534,398	\$534,398	\$560,398	8%
<u>Northern Regions</u>						
Northwest (1)	17,147	17,169	17,409	17,316	17,841	4
Headwaters (2)	6,041	6,053	6,234	6,244	6,563	9
Arrowhead (3)	71,273	71,260	73,070	73,145	75,861	6
West Central (4)	28,341	28,374	28,758	28,689	29,490	4

	2016	2017	2018	2019	2020	5-Yr. Chg. Aid
Five (5)	15,321	15,317	15,793	15,810	16,745	9
East Central (7E)	10,483	10,527	11,128	11,168	12,290	17
<u>Southern Regions</u>						
Six East (6E)	17,801	17,830	18,352	18,385	19,384	9
Upper MN Valley (6W)	9,986	9,975	10,163	10,156	10,538	6
Central MN (7W)	28,432	28,555	30,013	30,030	32,468	14
Southwest (8)	24,513	24,527	25,078	25,084	26,142	7
Nine (9)	43,668	43,633	44,704	44,776	46,695	7
Southeastern MN (10)	67,578	67,553	69,402	69,354	72,178	7
Total Nonmetro	\$340,583	\$340,774	\$350,104	\$350,157	\$366,196	8%
<u>Metro Region</u>						
Hennepin County	90,835	90,883	92,264	92,046	95,353	5
Ramsey County	69,072	69,311	72,369	72,503	77,028	12
Remaining Metro	18,908	18,430	19,661	19,692	21,821	15
Total Metro	\$178,815	\$178,624	\$184,294	\$184,241	\$194,202	9%

Statewide Local Government Aid, 2016-2020



Expenditures decreased 2% over a 5-year period, after adjusting for inflation.

House Research Department. Major State Aids and Taxes, 2020 Update.

Disparity Reduction Aid (DRA)

Program Description and Aid Amount and Reporting

2020 Disparity Reduction Aid: \$18.3 million

Disparity reduction aid is a state aid program that distributed \$18,300,290 to counties, towns, and school districts in 2020. The aid is directed to taxing jurisdictions in areas that had inordinately high tax rates in the base year of 1988. The basis for computing the aid amount is the relationship of the area's 1988 tax rate to a benchmark tax rate of 100 percent of tax capacity. The amount paid under this program has not changed significantly in the last five years.

Disparity Reduction Aid: 2020

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$544	3.0%
	Headwaters (2)	249	1.4
	Arrowhead (3)	10,849	59.3
	West Central (4)	316	1.7
	Five (5)	362	2.0
	East Central (7E)	119	0.7
Southern Regions	Six East (6E)	374	2.0
	Upper MN Valley (6W)	577	3.2
	Central MN (7W)	158	0.9
	Southwest (8)	822	4.5
	Nine (9)	848	4.6
	Southeastern MN (10)	1,718	9.4
Total Nonmetro		\$16,935	92.5%
Metro Region	Hennepin County	740	4.1
	Ramsey County	593	3.3
	Remaining Metro	32	0.2
Total Metro		\$1,365	7.5%
State Total		\$18,300	100.0%

County Program Aid

Program Description

About 45 percent of the funding for county program aid is distributed based on each county's relative shares of (1) persons receiving SNAP benefits (food benefits), (2) age-adjusted population (population weighted more heavily for the number of persons over age 65), and (3) the reported number of Group A offenses (serious crimes). The other 55 percent is distributed based on a formula that takes into account each county's population and its property wealth. This distribution encompasses some of the distribution factors from the four programs that county program aid replaced in 2004: homestead and agricultural credit aid (HACA), county criminal justice aid (CCJA), family preservation aid (FPA), and attached machinery aid (AMA).

Aid Amount and Reporting

2020 County Program Aid: \$264.0 million

The total amount of county program aid certified for aids payable in 2020 was \$264.0 million. This total is after subtraction of \$500,000 to pay for court-ordered counsel⁷ and \$214,000 to pay for preparation of local impact notes.

The county program aid data was obtained from the Department of Revenue.

Recent Law Changes

In 2023, the legislature increased the aid appropriation by \$80 million for aids payable in 2024 and thereafter, bringing the total appropriation in those years to \$344,668,444. The legislature also adjusted the crimes measure within the CPA formula. Beginning with data reported for 2021, the FBI and Bureau of Criminal Apprehension no longer classify crimes as "Part I" or "Part II" crimes. Instead, crimes are now classified as "Group A" or "Group B" offenses. In general, Group A offenses include all the Part I crimes plus additional types of serious offenses. Group A offenses will replace Part I crimes in the CPA formula, beginning with aids payable in 2024.

In 2019, the legislature increased the aid appropriation by \$26 million for aids payable in 2020 with an additional \$4 million added for aids payable in 2021 through 2023.

The Past Five Years of County Program Aid

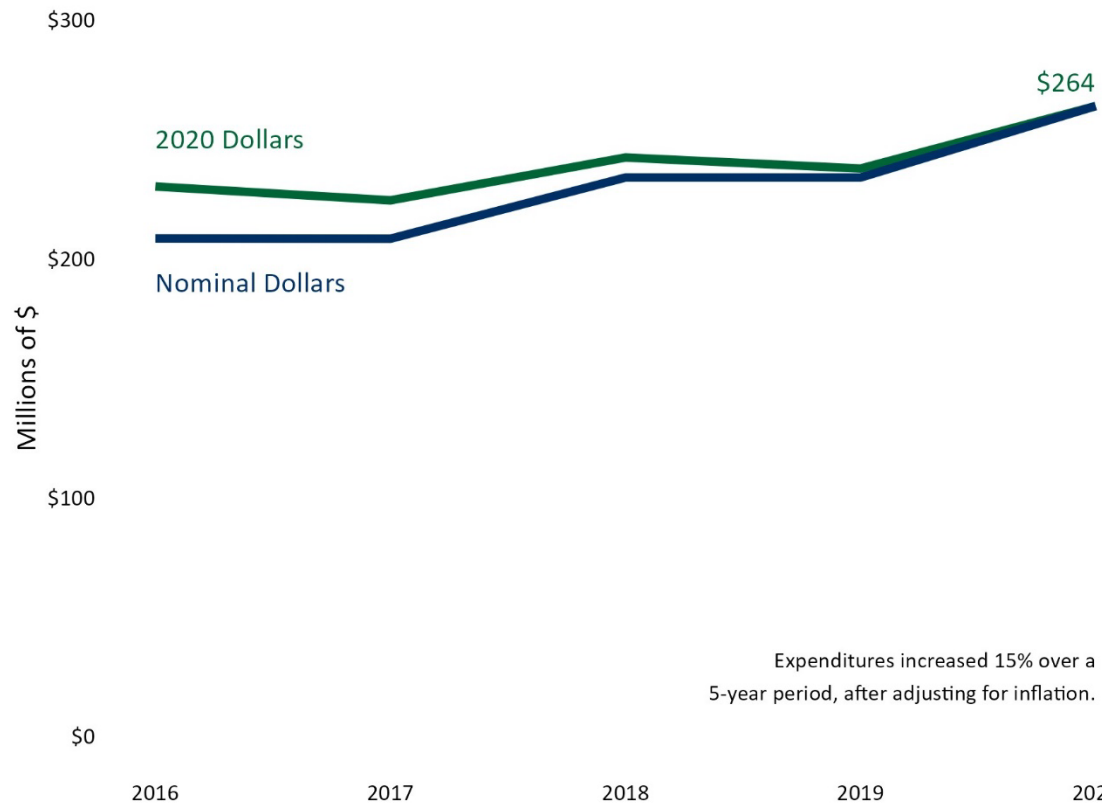
The table below shows the distribution of county program aid in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of county program aid for that same period in nominal and constant (inflation-adjusted) dollars.

⁷ \$500,000 was authorized for court-ordered counsel in 2016, which was offset by \$108,280 of the 2015 authorization that was unspent.

County Program Aid: Payable Years 2016 to 2020
Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Aid
State	\$208,563	\$208,457	\$234,091	\$234,091	\$264,012	27%
<u>Northern Regions</u>						
Northwest (1)	2,953	2,836	4,408	4,408	5,320	80
Headwaters (2)	8,393	8,260	8,949	8,949	9,654	15
Arrowhead (3)	17,754	17,537	19,161	19,161	22,251	25
West Central (4)	8,160	7,931	10,447	10,447	12,114	48
Five (5)	6,813	6,717	7,634	7,634	8,533	25
East Central (7E)	9,297	9,219	9,800	9,800	10,859	17
<u>Southern Regions</u>						
Six East (6E)	4,567	4,710	5,482	5,482	6,254	37
Upper MN Valley (6W)	861	853	2,567	2,567	2,866	233
Central MN (7W)	19,518	19,480	21,108	21,108	24,328	25
Southwest (8)	2,275	2,641	5,329	5,329	6,062	166
Nine (9)	7,278	8,062	10,086	10,086	11,657	60
Southeastern MN (10)	21,659	22,097	24,137	24,137	26,906	24
Total Nonmetro	\$109,529	\$110,342	\$129,107	\$129,107	\$146,803	34%
<u>Metro Region</u>						
Hennepin County	31,791	30,838	32,204	32,204	35,930	13
Ramsey County	17,098	16,941	17,477	17,477	20,592	20
Remaining Metro	50,145	50,335	55,303	55,303	60,687	21
Total Metro	\$99,034	\$98,115	\$104,984	\$104,984	\$117,209	18%

County Program Aid, 2016-2020



Expenditures increased 15% over a 5-year period, after adjusting for inflation.

House Research Department. Major State Aids and Taxes, 2020 Update.

Community Corrections Funding

Program Description

Although counties assume much of the cost of their community correctional services, the state provides significant direct funding and in-kind services. Counties choose to receive state funding and/or services from one of three basic funding systems: the community corrections act (CCA), county probation officer (CPO), and the Department of Corrections (DOC). For 2020, the counties were funded as follows:

- Thirty-five counties were CCA counties. This group contains a majority of the state’s population, including most of the Twin Cities metropolitan area.
- Fifty-two counties were non-CCA counties. Although the DOC provides adult felony supervision to all 52 of these counties, there are two delivery systems that are generally referenced as follows:
 - “CPO” counties, which provide their own juvenile and adult misdemeanor supervision; and
 - “DOC” counties, which have their juvenile and adult misdemeanor supervision provided by the DOC.

To keep the counties on a comparable basis, the dollar amount of in-kind services provided by the DOC is included in this report, even though these counties do not receive an “aid payment” per se from the state.

Aid Amount and Reporting

2020 Community Corrections Funding: \$107.5 million

In 2020, state funding for community corrections was \$107,509,245⁸. The table below lists the calendar year 2020 statewide total amounts for the various community corrections funding programs.

Program	Amount	Percent
CCA aid	\$43,166,569	40.2%
CPO reimbursement aid	5,043,000	4.7
DOC field services	29,228,333	27.2
Adult felony caseload reduction	977,786	0.9
Caseload/workload reduction	14,430,022	13.4
Intensive supervision	10,772,844	10.0
Enhanced supervision of adult sex offenders	3,890,692	3.6
Total Aid and In-kind Services	\$107,509,245	100.0%

⁸ An additional \$12.4 million, not included in this report, was distributed for miscellaneous categorical services.

The DOC distributes some adult felony reduction aid, caseload/workload reduction aid, and intensive supervision aid to regional groups of counties. These counties and the DOC regions they belong to are listed in the table below.

Region	Counties
Central Minnesota	Aitkin Crow Wing Morrison
DO	Dodge Olmsted
Tri-County	Norman Polk Red Lake
Arrowhead	Carlton Cook Koochiching Lake St. Louis
Region 6W	Chippewa Lac Qui Parle Swift Yellow Medicine
Rock/Nobles	Rock Nobles
Todd/Wadena	Todd Wadena

CCA amounts are apportioned to the individual counties within each region based on a five-year average distribution within the groups of counties of Group A offenses,⁹ as reported by the Department of Public Safety.

The community corrections funding data was obtained from the DOC.

⁹ Group A offenses, formally known as Part I crimes, are the most serious crimes: murder and non-negligent homicide, rape, robbery, aggravated assault, burglary, motor vehicle theft, larceny, and arson.

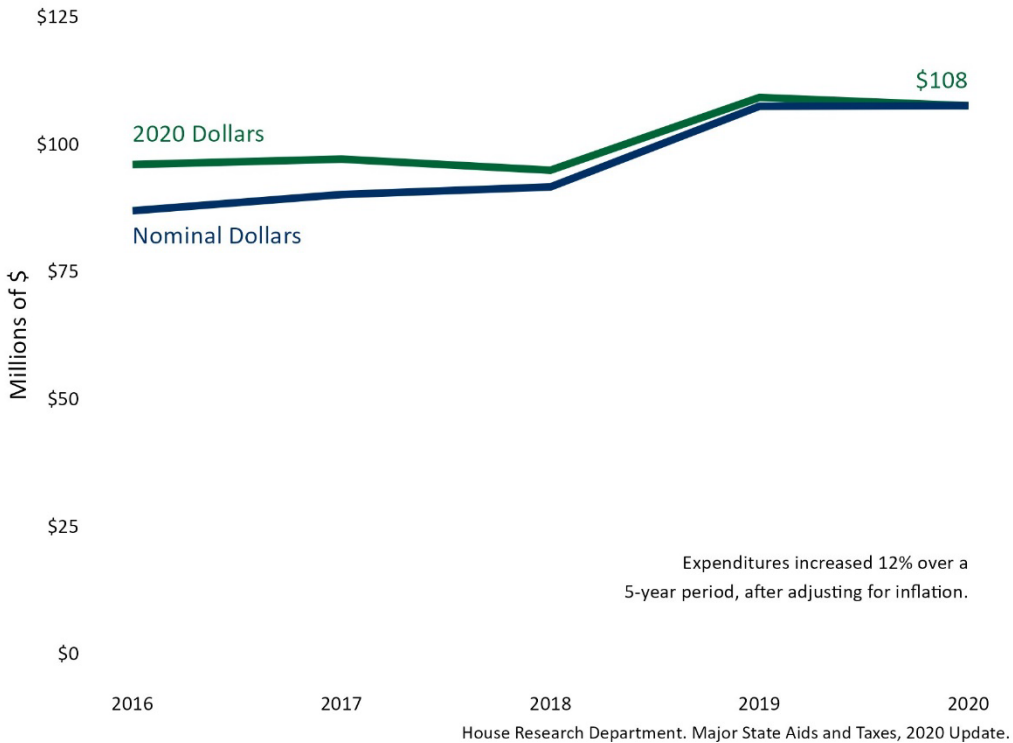
The Past Five Years of Community Corrections Funding

The table below shows the distribution of community corrections funding in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of community corrections funding for that same period in nominal and constant (inflation-adjusted) dollars.

Community Corrections Funding: Calendar Years 2016 to 2020 Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Aid
State	\$86,905	\$90,091	\$91,580	\$107,419	\$107,509	24%
<u>Northern Regions</u>						
Northwest (1)	1,835	1,689	1,941	2,278	2,278	24
Headwaters (2)	2,103	1,878	2,202	3,881	3,881	85
Arrowhead (3)	7,511	7,647	7,607	8,347	8,347	11
West Central (4)	3,754	3,496	4,072	6,956	6,956	85
Five (5)	2,970	3,013	3,077	3,726	3,726	25
East Central (7E)	3,604	3,426	3,753	6,264	6,264	74
<u>Southern Regions</u>						
Six East (6E)	2,099	1,967	2,170	3,030	3,030	44
Upper MN Valley (6W)	788	750	811	927	927	18
Central MN (7W)	5,188	5,797	6,422	7,957	7,918	53
Southwest (8)	2,230	1,963	2,413	3,511	3,511	57
Nine (9)	4,242	6,104	4,529	5,909	5,948	40
Southeastern MN (10)	7,600	7,695	8,378	10,007	10,097	33
Total Nonmetro	\$43,922	\$45,425	\$47,376	\$62,795	\$62,885	43%
<u>Metro Region</u>						
Hennepin County	18,134	18,772	18,505	18,496	18,496	2
Ramsey County	10,406	10,813	10,644	10,448	10,448	0
Remaining Metro	14,442	15,082	15,054	15,680	15,680	9
Total Metro	\$42,982	\$44,667	\$44,204	\$44,624	\$44,624	4%

Community Corrections Funding, 2016-2020



Homestead Credit Refund - Homeowners

Program Description

The homestead credit refund, formerly called the property tax refund for homeowners, is a program in which the state partially reimburses homeowners for part of their property taxes if the taxes exceed a percentage of household income. Generally, the higher the property tax and the lower the income, the higher the refund. The legislature establishes the income and property tax thresholds, reimbursement rates, and maximum refund amounts for the program. Each qualifying homeowner must apply directly to the state for a refund.

Aid Amount and Reporting

2019 (filed 2020) Homestead Credit Refund: \$542.0 million

Total homestead credit refunds for 2019 returns is \$541,984,223. These returns are based on 2019 income and property taxes payable in 2020, and filed beginning in 2020.

Homeowners*	Number of Returns	Total Amount	Average Refund
Senior/Disabled	224,663	\$251,469,305	\$1,119
Under 65 Years	283,575	\$290,514,918	1,024
Total	508,238	\$541,984,223	\$1,024

* Includes claimants who are part-year homeowners and part-year renters for that year's claim.

Recent Law Changes

The 2013 Legislature renamed the program the "Homestead Credit Refund" and further expanded the program by decreasing the threshold percentages effective for refunds based on taxes payable in 2014.

The 2023 Legislature reduced co-pay percentages by 3 percentage points for all income ranges. These changes are effective for 2024 refunds filed in 2025 and are not reflected in this report.

Property tax refund data are from the Department of Revenue. The department is unable to identify the county from which a claim is filed for less than 0.2 percent of 2019 claims. This report apportions these claims to counties based on each county's share of total claims.

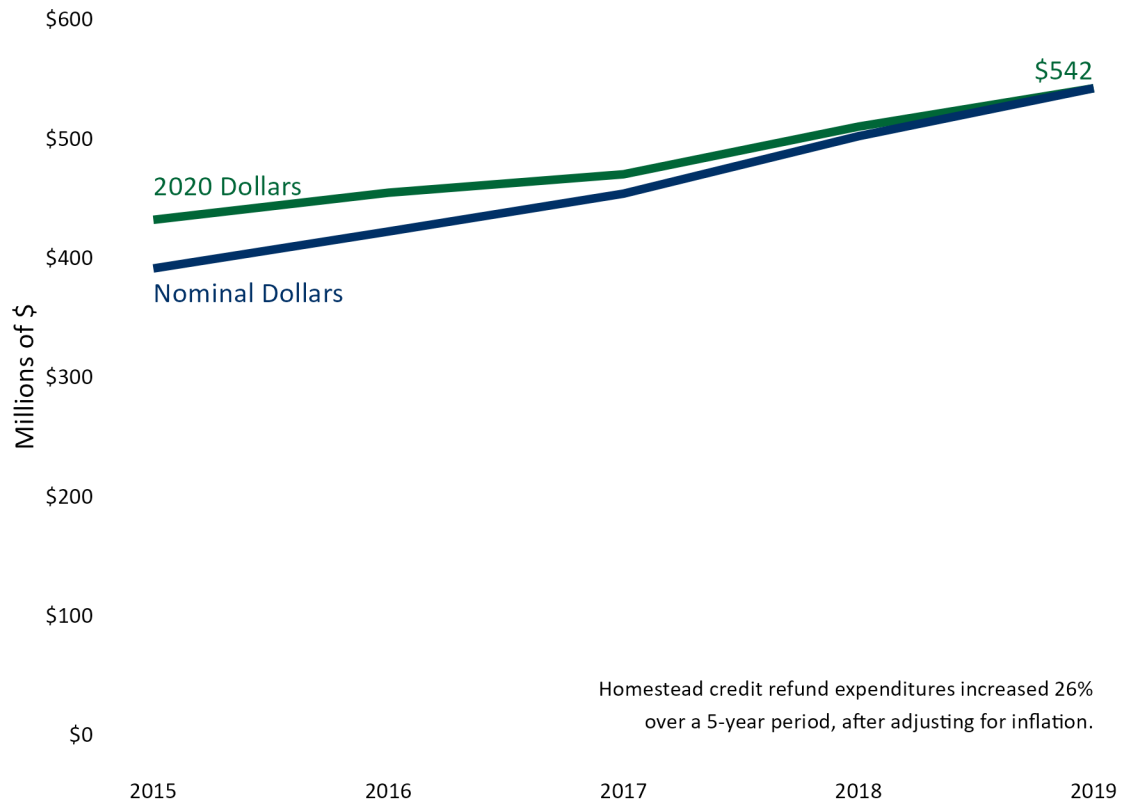
The Past Five Years of Homestead Credit Refund

The table below shows the distribution of the homestead credit refund in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the property tax refund for homeowners for that same time period in nominal and constant (inflation-adjusted) dollars. The homestead credit refund historical data on this page excludes any targeting data.

Homestead Credit Refund: 2015 to 2019 (filed 2016 to 2020)
Nominal dollars, in thousands

	2015	2016	2017	2018	2019	5-Yr. Chg. Tax
State	\$390,871	\$421,869	\$453,598	\$501,786	\$541,984	39%
<u>Northern Regions</u>						
Northwest (1)	2,155	2,642	2,920	3,010	3,143	46
Headwaters (2)	2,426	2,682	2,711	2,958	3,069	26
Arrowhead (3)	15,368	17,275	18,236	20,382	22,088	44
West Central (4)	9,559	10,942	11,716	12,862	14,550	52
Five (5)	7,627	8,309	8,578	9,473	10,188	34
East Central (7E)	13,150	15,154	16,500	18,248	19,817	51
<u>Southern Regions</u>						
Six East (6E)	5,563	6,177	6,587	7,472	8,762	57
Upper MN Valley (6W)	816	874	874	974	1,124	38
Central MN (7W)	28,146	31,602	34,203	38,591	44,109	57
Southwest (8)	2,206	2,626	2,933	3,333	3,811	73
Nine (9)	9,795	11,198	12,954	14,717	16,082	64
Southeastern MN (10)	25,530	28,916	31,999	36,590	41,326	62
Total Nonmetro	\$122,341	\$138,397	\$150,210	\$168,610	\$188,067	54%
<u>Metro Region</u>						
Hennepin County	118,020	124,953	131,839	143,362	148,521	26
Ramsey County	43,691	45,633	49,986	56,051	62,101	42
Remaining Metro	106,819	112,886	121,564	133,763	143,295	34
Total Metro	\$268,530	\$283,472	\$303,388	\$333,177	\$353,917	32%

Statewide Homestead Credit Refund, 2015-2019 (filed 2016 to 2020)



House Research Department. Major State Aids and Taxes, 2020 Update.

Property Tax Refund - Renters

Program Description

The property tax refund for renters, also called the “renters’ credit,” is a program in which the state partially reimburses renters for part of their qualifying property taxes if the taxes exceed a percentage of household income. Generally, the higher the property tax and the lower the income, the higher the refund. The legislature establishes the income and property tax thresholds, reimbursement rates, and maximum refund amounts for the program and sets the amount of rent deemed to represent property taxes. Each renter must apply directly to the state for a refund.

Beginning with refunds based on 2024 incomes (filed in 2025), the renter’s property tax refund will be converted to a refundable income tax credit, which will be filed as part of an individual income tax return. This change is not reflected in the data presented in this report.

Aid Amount and Reporting

2019 Filed 2020 Property Tax Refund for Renters: \$215.2 million

The total property tax refunds for 2019 returns filed in 2020 for renters is \$215,166,979. These returns are based on 2019 income and rent paid in 2019.

Renters	Number of Returns	Total Amount	Average Refund
Senior/Disabled	90,291	\$71,118,124	\$788
Under 65 Years	215,164	144,048,855	669
Total	305,455	\$215,166,979	\$704

Recent Law Changes

The 2011 Legislature reduced the percentage of rent considered property taxes from 19 percent to 17 percent, effective beginning with refunds based on rent paid in 2011. The 2013 Legislature decreased the threshold percentages for renters to be no higher than those for homeowners and increased the maximum refund for renters.

The 2023 Legislature converted the renter’s credit into a refundable income tax credit, which will be filed as part of an individual income tax return. The legislature also changed the income measure used to calculate the credit from “household income,” which included certain categories of nontaxable income, to adjusted gross income. Those changes are effective for 2024 claims filed in 2025, and are not reflected in the data in this report.

Property tax refund data are from the Department of Revenue. The department is unable to identify the county from which a claim is filed for about 1.7 percent of 2019 claims. This report apportions these claims to counties based on each county’s share of total claims.

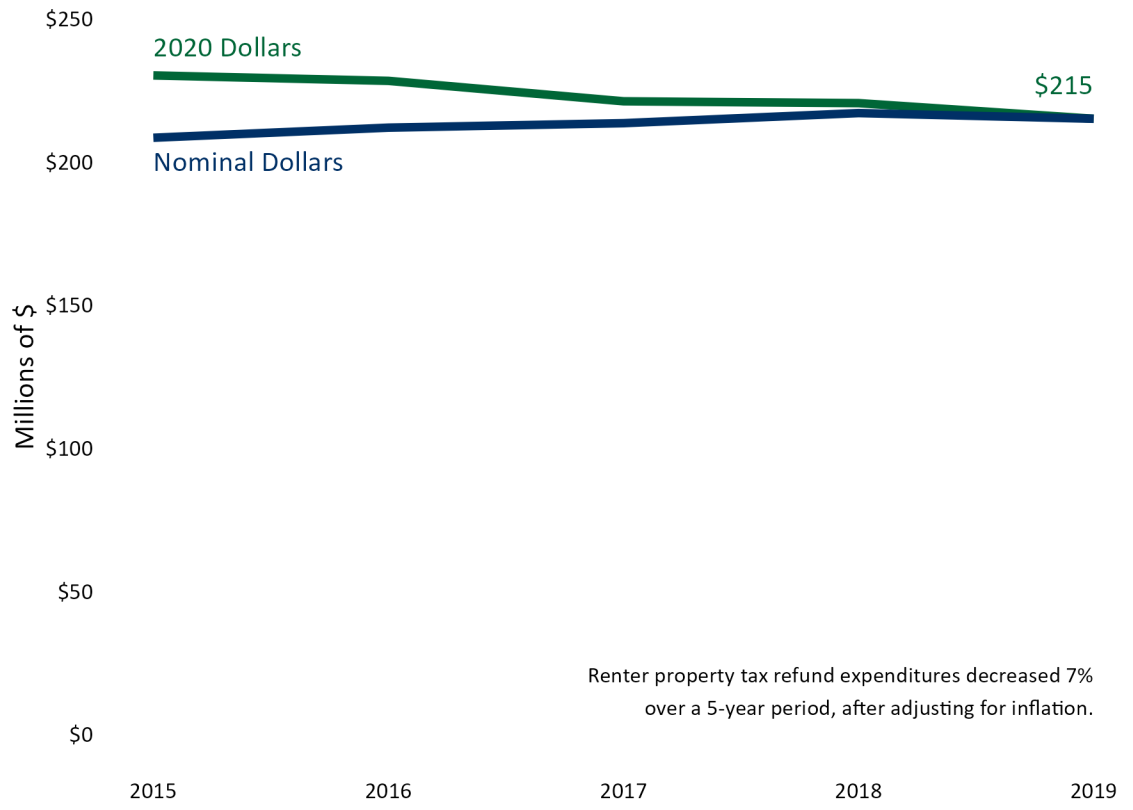
The Past Five Years of Property Tax Refund for Renters

The table below shows the distribution of the property tax refund for renters in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the property tax refund for renters for that same time period in nominal and constant (inflation-adjusted) dollars.

Property Tax Refund for Renters: 2015 to 2019 (filed 2016 to 2020) Nominal dollars, in thousands

	2015	2016	2017	2018	2019	5-Yr. Chg. Aid
State	\$208,534	\$212,058	\$213,622	\$217,147	\$215,167	3%
<u>Northern Regions</u>						
Northwest (1)	1,364	1,423	1,483	1,433	1,354	-1
Headwaters (2)	1,702	1,702	1,763	1,772	1,737	2
Arrowhead (3)	8,826	8,887	9,150	9,136	8,583	-3
West Central (4)	5,672	5,930	6,127	6,218	6,036	6
Five (5)	3,821	3,931	3,982	4,073	3,846	1
East Central (7E)	3,727	3,764	3,589	3,624	3,485	-6
<u>Southern Regions</u>						
Six East (6E)	3,147	3,160	3,215	3,271	3,198	2
Upper MN Valley (6W)	764	808	776	740	725	-5
Central MN (7W)	12,737	13,120	13,250	13,416	13,546	6
Southwest (8)	2,295	2,333	2,345	2,387	2,267	-1
Nine (9)	5,957	6,199	6,262	6,284	6,209	4
Southeastern MN (10)	14,385	14,568	14,702	14,754	14,575	1
Total Nonmetro	\$64,398	\$65,826	\$66,643	\$67,109	\$65,564	-3%
<u>Metro Region</u>						
Hennepin County	67,706	68,758	68,517	70,119	70,096	4
Ramsey County	33,017	33,397	33,953	34,660	33,892	3
Remaining Metro	43,412	44,077	44,508	45,258	45,615	5
Total Metro	\$144,135	\$146,232	\$146,978	\$150,037	\$149,603	4%

Statewide Property Tax Refund for Renters, 2015-2019 (filed 2016 to 2020)



House Research Department. Major State Aids and Taxes, 2020 Update.

Additional Homestead Credit Refund (Targeting)

Program Description

“Targeting” is an extension of the homestead credit refund program. The refund targets property tax relief to homeowners whose property tax increase over the previous year exceeds a threshold percentage set by the legislature. The homestead credit refund return (M1PR) contains a separate schedule for the targeting refund. The taxpayer files for this refund at the same time and in the same manner as for the homestead credit refund. However, unlike the homestead credit refund, all homeowners qualify for targeting regardless of their household income if the tax increase exceeds the specified percentage.

Aid Amount and Reporting

2020 Targeting Refunds: \$9.9 million

For returns filed in 2020 (for property taxes payable in 2020), the state paid 60 percent of the property tax increase over 12 percent (i.e., the taxpayer had to pay the first 12 percent increase over the previous year before qualifying for a refund), provided that the increase was greater than \$100. There were 99,791 returns filed in 2020 for a total amount of \$9,895,915. The average refund per return was \$99. (The maximum refund is \$1,000.)

Targeting refund amounts can change greatly from one year to the next in any given county. Factors resulting in large fluctuations in refunds in recent years include net tax changes due to volatility in the housing market and the phaseout of limited market value.

Five counties reported fewer than four claims for targeted refunds filed in 2020 by senior/disabled claimants or by nonsenior/nondisabled claimants (Lake of the Woods, Mahnomon, Pennington, Stevens, and Watonwan). To protect taxpayer confidentiality, the Department of Revenue is unable to provide detailed counts for these counties. These refunds were included in the totals for “county undesignated.”

The total for which the county is undesignated represents 0.2 percent of all claims. This report apportions these claims to the 87 counties based on each county’s share of refunds.

Recent Law Changes

The statutory percentage of 60 percent was increased to 90 percent for taxes payable in 2012 only. For refunds based on the change in tax from 2011 to 2012 only, the targeting refund equaled 90 percent of the property tax increase over 12 percent, up to the maximum refund of \$1,000.

The 2023 Legislature enacted a temporary increase in the credit for refunds based on the change in tax from 2022 to 2023. Under that change, the refund was available to taxpayers whose property taxes increased by at least 6 percent, and the maximum refund was increased to \$2,500. The temporary increase is not reflected in the data in this report.

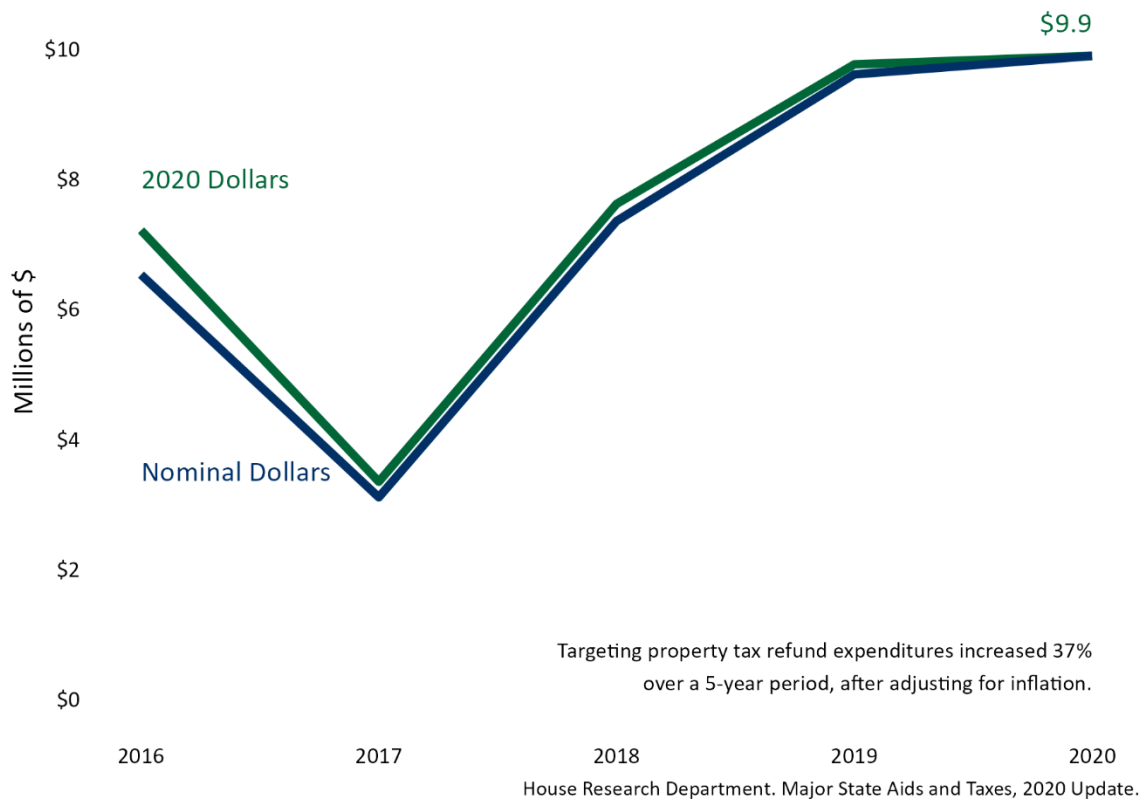
The Past Five Years of Targeting Refunds

The table below shows the distribution of targeting refunds in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of targeting refund for that same time period in nominal and constant (inflation-adjusted) dollars.

Targeting: Filed 2016 through 2020 Nominal dollars, in thousands

	Filed 2016	Filed 2017	Filed 2018	Filed 2019	Filed 2020
State	\$6,533	\$3,110	\$7,357	\$9,611	\$9,896
<u>Northern Regions</u>					
Northwest (1)	126	61	43	27	27
Headwaters (2)	19	27	15	34	32
Arrowhead (3)	200	394	285	645	526
West Central (4)	318	120	168	233	253
Five (5)	205	80	105	286	212
East Central (7E)	234	181	183	376	342
<u>Southern Regions</u>					
Six East (6E)	131	79	97	204	567
Upper MN Valley (6W)	44	9	19	24	41
Central MN (7W)	562	176	178	505	1,084
Southwest (8)	185	106	84	180	224
Nine (9)	361	128	312	325	266
Southeastern MN (10)	306	339	442	1,297	989
Total Nonmetro	\$2,690	\$1,701	\$1,932	\$4,138	\$4,564
<u>Metro Region</u>					
Hennepin County	1,081	521	1,966	2,193	1,132
Ramsey County	589	449	1,774	1,626	2,769
Remaining Metro	2,174	438	1,685	1,654	1,431
Total Metro	\$3,844	\$1,409	\$5,425	\$5,473	\$5,332

Targeting Refunds, Filed 2016-2020



Property Tax Data

Market Value Agricultural Credit

Program Description

The market value agricultural credit was established by the 2001 Legislature, enhanced in 2002, and again in 2014.

The credit is equal to 0.3 percent of the first \$115,000 of taxable market value of the property, and 0.1 percent of the market value over \$115,000, to a maximum credit of \$490 per agricultural homestead. The maximum credit is reached at a market value of \$260,000. The credit does not apply to the value of the house, garage, and surrounding one acre of the agricultural homestead.

Payable 2020 Aid Amount and Reporting: \$36.7 million

For taxes payable in 2007 and 2012 to 2016, the state paid the full amount of the credit to local governments, including in 2014 a supplemental amount paid directly to taxpayers after property tax statements had been sent out. In payable 2020, the amount of the credit was \$36.7 million.

Market Value Agricultural Credit: Payable 2020

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$2,534	6.9%
	Headwaters (2)	1,179	3.2
	Arrowhead (3)	1,098	3.0
	West Central (4)	3,974	10.8
	Five (5)	2,828	7.7
	East Central (7E)	2,229	6.1
	Southern Regions	Six East (6E)	2,225
Upper MN Valley (6W)		1,666	4.5
Central MN (7W)		3,248	8.8
Southwest (8)		3,614	9.8
Nine (9)		4,035	11.0
	Southeastern MN (10)	6,211	16.9
Total Nonmetro		\$34,842	94.8%

		Amount (thousands)	Percent of Total
Metro Region	Hennepin County	233	0.6
	Ramsey County	1	0.0
	Remaining Metro	1,672	4.5
Total Metro		\$1,906	5.2%
State Total		\$36,748	100.0%

School Building Bond Agricultural Credit

Program Description

The school building bond agricultural credit was established by the 2017 Legislature, became available beginning in 2018, and was modified in 2019. The credit is available to all agricultural property, except the house, garage, and immediately surrounding one acre of land of an agricultural homestead.

The credit is equal to a percentage of the tax on an agricultural property that is attributable to school district bonded debt levies. For property taxes payable in 2018 and 2019, the credit equaled 40 percent of this amount. Changes in 2019 increased this percentage to 50 percent in 2020, 55 percent in 2021, 60 percent in 2022, and 70 percent in 2023 and thereafter.

Payable 2020 Credit Amount: \$57.0 million

For taxes payable in 2020, the amount of the credit was \$57.0 million.

School Building Bond Agricultural Credit: Payable 2020

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	3,171	5.6%
	Headwaters (2)	983	1.7
	Arrowhead (3)	1,583	2.8
	West Central (4)	6,988	12.3
	Five (5)	2,077	3.6
	East Central (7E)	1,446	2.5
Southern Regions	Six East (6E)	3,211	5.6
	Upper MN Valley (6W)	4,782	8.4
	Central MN (7W)	3,079	5.4
	Southwest (8)	8,107	14.2
	Nine (9)	7,232	12.7
	Southeastern MN (10)	11,013	19.3
Total Nonmetro		53,673	94.1%
Metro Region	Hennepin County	344	0.6
	Ramsey County	21	0.0
	Remaining Metro	3,001	5.3
Total Metro		3,366	5.9%
State Total		57,039	100.0%

Miscellaneous Property Tax Credits

Payable 2020 Miscellaneous Credits: \$30.7 million

The total of the miscellaneous property tax credits for 2020 is \$30.7 million. This includes the taconite homestead credit, disparity reduction credit, power line credit, agricultural preserves credit, county conservation credit, and the disaster credits. A statewide breakdown of these miscellaneous credits is shown below.

Type of Credit	Amount
Taconite Homestead Credit	\$16,559,525
Disparity Reduction Credit	12,743,732
Power Line Credit	680,718
Agricultural Preserves/County Conservation Credits	722,934
State Disaster Credit	3,123
Local Option Disaster Credit	0
Total	\$30,710,032

The taconite homestead credit is the largest of the miscellaneous credits. Homeowners in the taconite tax relief areas, located in northern Minnesota on the Iron Range, receive a credit of either 57 percent of the net tax, capped at \$289.80 per homestead, or 66 percent of the net tax, capped at \$315.10 per household. The percentage of relief depends upon certain characteristics of the local jurisdiction, such as the value of the iron ore in the district, proximity to mines, etc. Most of the credit, \$14.0 million, is paid from proceeds of the taconite production tax, while \$2.6 million is paid from the state general fund. The portion paid from the general fund is referred to as the supplemental homestead credit. The mobile home taconite homestead credit and any adjustment amounts for prior years are not included in the amounts shown.

The disparity reduction credit provides additional property tax relief in certain cities along Minnesota's western border. The credit applies to apartments, commercial-industrial, and public utility property only. The credit is the amount by which the net tax exceeds a specified percentage of the property's market value for affected properties.

Recent Changes

In 2014, the legislature expanded the disparity reduction credit program to include the city of Ortonville along the border with South Dakota beginning with taxes payable in 2015. Previously the program had only covered the cities of Breckenridge, Dilworth, East Grand Forks, and Moorhead along the North Dakota border. Also, beginning with taxes payable in 2015, the credit threshold was reduced from 1.9 percent of market value to 1.6 percent.

Miscellaneous Property Tax Credits: Payable 2020

		Amount (thousands)	Percent of Total
Northern Region	Northwest (1)	\$2,038	6.6%
	Headwaters (2)	9	0.0
	Arrowhead (3)	15,394	50.1
	West Central (4)	10,613	34.6
	Five (5)	1,196	3.9
	East Central (7E)	10	0.0
Southern Regions	Six East (6E)	24	0.1
	Upper MN Valley (6W)	192	0.6
	Central MN (7W)	123	0.4
	Southwest (8)	121	0.4
	Nine (9)	264	0.9
	Southeastern MN (10)	135	0.4
Total Nonmetro		\$30,119	98.1%
Metro Region	Hennepin County	143	0.5
	Ramsey County	0	0.0
	Remaining Metro	449	1.5
Total Metro		\$591	1.9%
State Total		\$30,710	100.0%

A county breakdown of the taconite homestead credit is shown below.

County	Taconite Credit
Aitkin	\$943,474
Cook	538,432
Crow Wing	1,190,873
Itasca	4,329,733
Koochiching	4,689
Lake	1,166,453
St. Louis	8,385,871
Total	\$16,559,525

Property Values and Levies

Statewide Property Value: Assessment Year 2019, Taxes Payable in 2020

Market Value:	\$739.5 billion
Market Value Exclusion:	\$27.2 billion
Taxable Market Value:	\$712.3 billion
Net Tax Capacity:	\$8.32 billion
Referendum Market Value:	\$604.2 billion

The total market value for taxes payable in 2020 is \$739.5 billion; homestead market value exclusions of \$27.2 billion reduced this to \$712.3 billion of taxable market value. Class rates are applied to the taxable market value, resulting in total net tax capacity of \$8.32 billion. Net tax capacity is the tax base used for levies other than most referendum levies.

Referendum market value is the total market value excluding the value of agricultural and seasonal-recreational property, and is the tax base used almost exclusively for school district referendum levies. The total referendum market value for taxes payable in 2020 is \$604.2 billion. The table shows the distribution of the two tax bases.

	Net Tax Capacity	Percent of Total	Referendum Market Value	Percent of Total
State	\$8,318,291,267	100%	\$604,234,300,882	100%
Northern Region				
Northwest (1)	141,036,673	1.7	5,469,415,286	0.9
Headwaters (2)	106,269,349	1.3	6,073,278,223	1.0
Arrowhead (3)	385,623,645	4.6	26,279,305,796	4.3
West Central (4)	394,643,691	4.7	19,713,578,698	3.3
Five (5)	267,178,866	3.2	14,063,700,314	2.3
East Central (7E)	164,699,938	2.0	13,314,815,942	2.2
Southern Regions				
Six East (6E)	170,498,019	2.0	8,639,437,894	1.4
Upper MN Valley (6W)	105,191,680	1.3	2,339,710,443	0.4
Central MN (7W)	489,844,394	5.9	38,822,792,304	6.4
Southwest (8)	273,574,970	3.3	7,415,156,978	1.2
Nine (9)	361,723,515	4.3	17,914,373,092	3.0
Southeastern MN (10)	666,937,391	8.0	45,141,028,921	7.5

	Net Tax Capacity	Percent of Total	Referendum Market Value	Percent of Total
Total Nonmetro	\$3,527,222,130	42.4%	\$205,186,593,892	34.0%
Metro Region				
Hennepin County	2,318,425,776	27.9	186,454,772,618	30.9
Ramsey County	677,111,348	8.1	56,511,996,637	9.4
Remaining Metro	1,795,532,014	21.6	156,080,937,735	25.8
Total Metro	\$4,791,069,138	57.6%	\$399,047,706,990	66.0%

Payable 2020 Net Property Tax Levy Before Credits: \$11.1 billion

The payable 2020 net property tax levy made by each type of taxing district is shown in the following table (excluding special assessments). The table includes \$9,105 million of local net tax capacity levy, \$1,261 million of referendum market value levy, and \$782 million of state general levy. The tables in section 2 show the net tax capacity levy and the market value levy combined by jurisdiction type. The school district referendum market value levy is \$1,234 million, nearly all of the \$1,261 million in total statewide market value levy. “Special taxing districts” include the Metropolitan Council, regional transit authorities, hospital districts, port authorities, watershed districts, etc.

Type of Taxing District	Payable 2020 Net Property Tax Levy (in millions)	Percent
County	\$3,439	30.9%
City/Town	\$2,947	26.4%
City	2,680	
Town	268	
School District	\$3,299	29.6%
Miscellaneous Districts	\$681	6.1%
Special Taxing Districts	412	
Tax Increment Financing	267	
Power Line	1	
State	\$782	7.0%
Total, all districts	\$11,149	100.0%

Note that in the statewide, region, and county tables (section 2 and online), the fiscal disparities levy is included in the “Miscellaneous District Levy,” since that is how it is reported to the Department of Revenue. A detailed breakdown of that levy by type of taxing jurisdiction

by county is not available, while in the table above the fiscal disparities levy is included in the totals for the various jurisdiction types statewide.

Payable 2020 Net Property Taxes Payable: \$11.0 billion

“Net property tax levy” is the amount levied before reductions for state-paid property tax credits. The net property tax payable, which is the amount that appears on property tax statements, is \$11.0 billion, which is the total levy of \$11.1 billion minus property tax credits of \$124 million.

Payable 2020 Property Tax Levies before Credits by Type of Taxing District

Statewide \$11,024 million



* Miscellaneous includes special taxing districts, tax increment financing, and power line levies, but excludes the fiscal disparities distribution levy, which in this graph has been allocated to counties, cities/towns, school districts, and special districts. **(The tables later in the report show the fiscal disparities levy as part of “Miscellaneous District Levy.”)**

Major State Taxes

Individual Income Tax

Program Description

Individual income tax is a tax imposed by the state upon (1) the income of Minnesota residents and (2) the income, derived from Minnesota sources, of nonresident individuals. The 2019 tax base is federal taxable income with minor modifications, including the addition of interest earned on bonds issued by non-Minnesota state and local governments, and subtractions for military pay, charitable contributions of nonitemizers, and certain dependent education expenses. Rates applied in 2019 ranged from 5.35 percent to 9.85 percent. In 2019, Minnesota allowed a refundable dependent care credit of up to \$720 for one child and \$1,440 for two or more children, a refundable credit of up to \$1,000 per child for K-12 education expenses, and a working family credit tied to the federal earned income credit. The maximum working family credit was \$2,541.

Tax Amount and Reporting (tax year 2019 returns filed in 2020)

2019 Individual Income Tax: \$11.5 billion

\$10.7 billion from residents

The total amount of 2019 net individual income tax revenues (after refundable credits) is \$11.52 billion; \$734 million came from returns filed by nonresident taxpayers and \$128 million from Minnesota resident returns for which the Department of Revenue was unable to identify the taxpayer's county of residence. The \$128 million from Minnesota resident returns is apportioned to counties based on each county's share of tax, but the \$734 million paid by nonresidents is not apportioned to counties. The net amount paid by Minnesota residents is \$10.78 billion.

Individual income tax data was obtained from the Department of Revenue.

Recent Law Changes

Effective in tax year 2013, Minnesota added a fourth rate of 9.85 percent. The new rate applied to taxable income in excess of \$250,000 for married joint filers, \$150,000 for single filers, and \$200,000 for head of household filers. The income brackets are adjusted annually for inflation.

The 2019 Legislature enacted a significant restructuring of the state's income tax, effective for tax year 2019. The law changed the state's income tax to make federal adjusted gross income the starting point for the state's income tax, and established a Minnesota dependent exemption, standard deduction, and itemized deductions. The law also expanded the working family credit and reduced the second-tier rate from 7.05 percent to 6.80 percent.

The 2023 Legislature significantly restructured the state's largest refundable credit, the working family credit. That credit was partially converted into a refundable child credit, which is phased out jointly with a smaller working family credit based on earned income. Those changes are effective for tax year 2023 and are not reflected in this report.

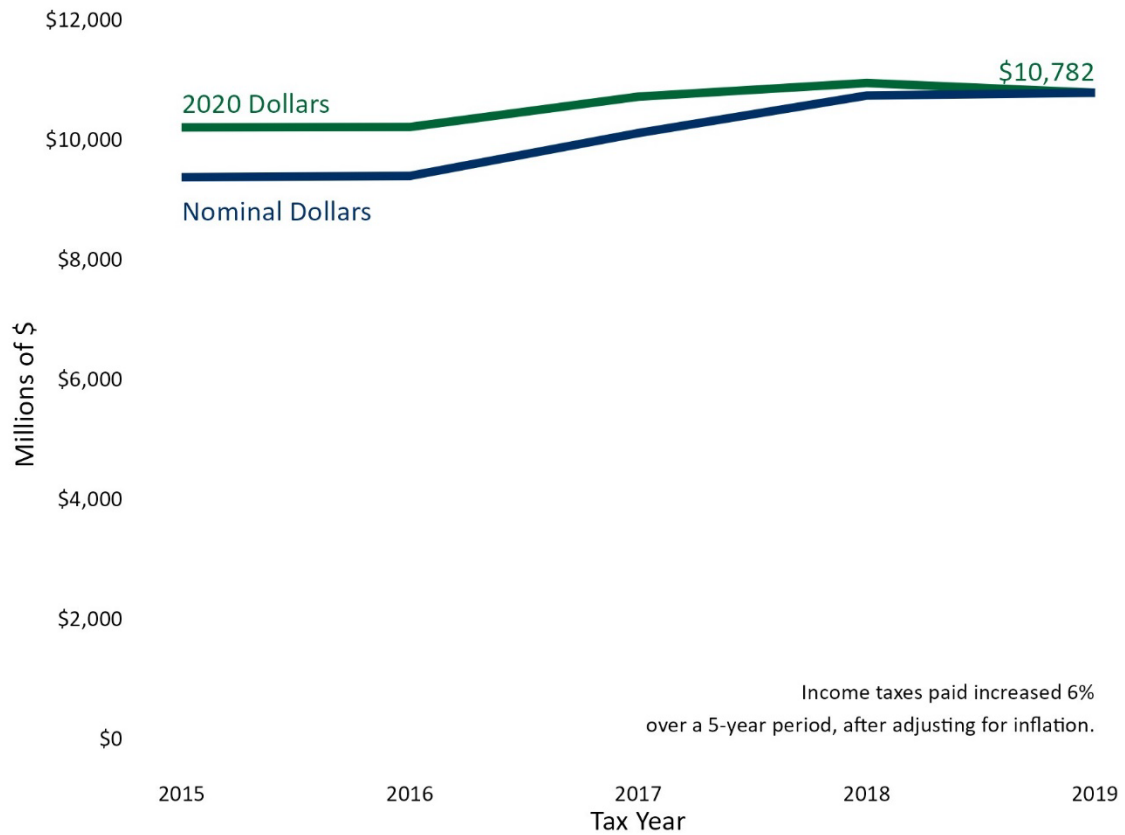
The Past Five Years of Individual Income Tax

The table below shows the distribution of individual income tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of individual income tax for that same period in nominal and constant (inflation-adjusted) dollars.

Individual Income Tax, Residents Only: Tax Years 2015 to 2019 (filed 2016 to 2020) Nominal dollars, in thousands

	2015	2016	2017	2018	2019	5-Yr. Chg. Tax
State	\$9,371,724	\$9,393,208	\$10,108,769	\$10,735,033	\$10,782,056	15%
<u>Northern Regions</u>						
Northwest (1)	103,423	103,804	119,947	147,854	122,379	18
Headwaters (2)	70,288	67,953	71,399	78,090	75,950	8
Arrowhead (3)	345,406	333,187	352,749	384,990	379,065	10
West Central (4)	263,459	258,426	268,558	286,243	300,005	14
Five (5)	149,859	155,648	163,118	179,554	182,766	22
East Central (7E)	171,939	175,402	187,628	201,644	205,219	19
<u>Southern Regions</u>						
Six East (6E)	133,038	134,025	140,586	156,805	157,638	18
Upper MN Valley (6W)	48,201	43,694	48,580	52,633	47,594	-1
Central MN (7W)	564,350	584,773	612,215	659,829	679,116	20
Southwest (8)	123,825	114,285	119,694	132,482	126,481	2
Nine (9)	267,754	273,368	277,703	300,019	295,125	10
Southeastern MN (10)	677,583	687,724	723,019	793,128	775,499	14
Total Nonmetro	\$2,919,125	\$2,932,288	\$3,085,195	\$3,373,272	\$3,346,838	15%
<u>Metro Region</u>						
Hennepin County	3,123,667	3,164,711	3,470,276	3,587,269	3,625,935	16
Ramsey County	832,526	813,260	868,987	919,885	923,813	11
Remaining Metro	2,496,406	2,482,949	2,684,311	2,854,608	2,885,470	16
Total Metro	\$6,452,599	\$6,460,920	\$7,023,574	\$7,361,762	\$7,435,218	15%

Statewide Income Tax, Residents Only, Tax Years 2015-2019



House Research Department. Major State Aids and Taxes, 2020 Update.

Sales/Use Tax

Program Description

Sales tax is imposed by the state on the gross receipts on all persons who sell, lease, or rent tangible personal property, including most digital products, at retail or provide certain taxable services. The use tax complements the sales tax and is imposed at the same rate on the storage, use, or consumption in Minnesota of taxable, tangible personal property and taxable services purchased from any retailer, unless the Minnesota sales tax was already paid on these items. Since July 1, 2009, the state sales and use tax rate has been 6.875 percent.

Major exemptions include: unprepared food, clothing, all drugs and medications, gasoline and special fuels taxed under the motor fuels excise tax, most publications, motor vehicle purchases subject to the sales tax on motor vehicles, materials used or consumed in agricultural or industrial production, textbooks, residential heating fuels and water services, industrial capital equipment, most purchases by local governments, and a number of purchases by and sales made by a number of nonprofit organizations.

Tax Amount and Reporting

Calendar Year 2020 Sales/Use Tax: \$6.417 billion (gross)

\$6.416 billion (net after refunds)

\$5.115 billion from residents and in-state sellers

A total of \$6.417 billion in gross state sales/use taxes was collected during calendar year 2020. The net amount of sales/use tax after the reduction of capital equipment refunds of \$0.4 million¹⁰ was \$6.416 billion. The total amount of capital equipment refunds is allocated to counties based on the ratio of each county's mining and manufacturing payroll to the total statewide mining and manufacturing payroll. Of the \$6.416 billion in net sales taxes, about \$1.30 billion was collected from returns filed by out-of-state vendors, resulting in \$5.115 billion allocated to Minnesota. The amount collected from returns filed by out-of-state sellers is not allocated to Minnesota in this report since the taxpayer's residence and/or place of business is unknown, nor is it included in the five-year historical table later in this section. The following table shows the amount and share of taxes that were allocated to Minnesota (paid by residents and in-state sellers) and the portion not allocated to Minnesota (paid by out-of-state sellers) over the last ten years.

¹⁰ This includes refunds paid on other exempt purchases where the tax is paid at the time of purchase and then refunded, mainly for some specific capital projects. The capital equipment exemption became an upfront exemption July 1, 2015, but businesses have three-and-one-half years to claim the refunds so the refund amount will decline over time.

Sales/Use Taxes (in thousands, after capital equipment refund)

Year	Allocated to Minnesota		Not Allocated to Minnesota		Total
	Amount	Percent	Amount	Percent	
2010	3,792,834	84.1	719,073	15.9	4,511,908
2011	3,975,604	84.0	758,966	16.0	4,734,571
2012	4,192,302	83.7	815,555	16.3	5,007,858
2013	4,381,851	83.5	865,535	16.5	5,247,386
2014	4,510,068	83.0	926,466	17.0	5,436,534
2015	4,559,522	82.1	993,282	17.9	5,552,804
2016	4,679,952	82.9	963,560	17.1	5,642,952
2017	4,879,360	83.1	992,800	16.9	5,872,159
2018	5,156,859	83.1	1,046,375	16.9	6,203,233
2019	5,278,965	80.5	1,279,736	19.5	6,558,702
2020	5,114,601	79.7	1,301,509	20.3	6,416,109

Most of the amount not allocated to Minnesota is a tax on sales made by out-of-state businesses to Minnesota residents, which are reported on a single non-Minnesota return. The amount not allocated to Minnesota has gradually increased from about 14 percent in the mid-1990s to 20 percent in recent years.

The sales tax amounts contained in this report exclude any local sales taxes that cities and counties impose. Local sales taxes are used primarily to support specific capital projects.¹¹ Because sales tax is reported in the county where the seller is located, higher amounts tend to be reported in counties with a regional center (e.g., Twin Cities, Duluth, Rochester, etc.).

Sales/use tax data were obtained from the Department of Revenue.

Recent Law Changes

The tax rate was 3.0 percent when enacted in 1967 and has risen gradually over time. The most recent increase, from 6.5 percent to 6.875 percent, is a temporary increase imposed from July 1, 2009, to June 30, 2034. The extra revenue from this temporary rate increase is constitutionally dedicated to fund outdoor heritage, clean water, parks and trails, and arts and cultural heritage.

¹¹ More detail on local sales taxes, including a list of localities that currently impose local sales taxes, is available in the House Research publication *Local Sales Taxes in Minnesota*, October 2019, www.house.mn.gov/hrd/pubs/localosal.pdf.

The legislature often modifies the goods and services included in the sales tax base. The most significant changes in recent years are:

- exempting most local government purchases by towns (2011), cities and counties (2013), and special taxing districts (2013);
- imposing the tax on most digital products (2013);
- switching the capital equipment exemption from a refundable exemption to an upfront exemption (2015); and
- exempting supplies and materials used in and equipment incorporated into construction, remodeling, improvement, or expansion of fire and police stations, including their related facilities, owned by a local government (2021).

Sales Taxes and Future Increased Collections by Out-of-State Sellers

For a number of years Minnesota has had a statutory provision requiring out-of-state sellers with an economic presence in the state (i.e., making a certain minimum number of sales into the state) to collect and remit Minnesota sales tax *to the extent allowed under the U.S. constitution and federal law*. In 2017 the legislature extended this duty to collect Minnesota sales taxes to Internet marketplace providers.

This statute was not enforced because the U.S. Supreme Court, in a number of cases culminating in *Quill Corp. v. North Dakota* (1992), found it unconstitutional to require a seller without a physical presence in a state to collect its tax. In 2018 in *South Dakota v. Wayfair* the U.S. Supreme Court overturned that finding and upheld a state's ability to require sales tax collection based on "economic presence" under certain circumstances. Minnesota began requiring out-of-state sellers and Internet marketplace providers that meet the economic presence standard to collect state sales tax on October 1, 2018. This change has greatly increased the percent of total sales tax remittances that are not allocated to a state, county, or region.

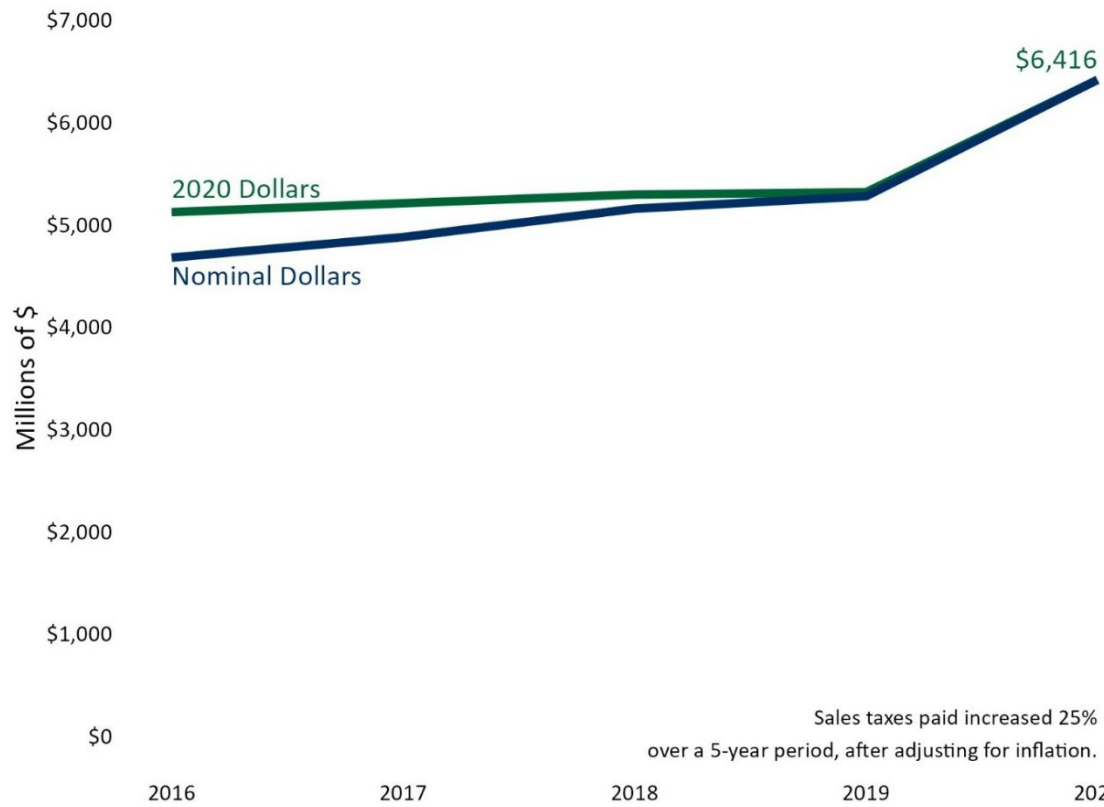
The Past Five Years of Sales/Use Tax

The table below shows the distribution of sales/use tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of sales/use tax for that same time period in nominal and constant (inflation-adjusted) dollars.

Sales/Use Tax, Residents and In-State Sellers: Calendar Years 2016 to 2020
Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Tax
State	\$4,679,392	\$4,879,360	\$5,156,859	\$5,278,965	\$6,416,109	37%
<u>Northern Regions</u>						
Northwest (1)	40,452	42,556	45,041	46,220	45,583	13
Headwaters (2)	60,991	62,592	66,353	69,396	71,408	17
Arrowhead (3)	253,763	262,246	270,582	268,773	260,152	3
West Central (4)	155,817	164,183	168,193	172,762	176,038	13
Five (5)	117,871	124,295	129,457	135,264	144,383	22
East Central (7E)	77,445	79,486	82,983	86,607	90,936	17
<u>Southern Regions</u>						
Six East (6E)	74,390	83,366	86,984	88,073	90,021	21
Upper MN Valley (6W)	19,529	20,076	20,246	20,538	20,895	7
Central MN (7W)	292,163	305,796	324,314	338,234	348,709	19
Southwest (8)	69,303	69,669	72,089	74,498	72,922	5
Nine (9)	140,398	144,293	150,797	153,151	151,606	8
Southeastern MN (10)	328,988	341,536	356,178	363,432	358,372	9
Total Nonmetro	\$1,631,110	\$1,700,093	\$1,773,216	\$1,816,948	\$1,831,026	12%
<u>Metro Region</u>						
Hennepin County	1,651,575	1,708,230	1,848,761	1,860,131	1,768,911	7
Ramsey County	495,233	522,725	539,602	568,038	504,796	2
Remaining Metro	901,475	948,312	995,280	1,033,848	1,009,867	12
Total Metro	\$3,048,283	\$3,179,267	\$3,383,643	\$3,462,017	\$3,283,574	8%

Statewide Sales/Use Tax, Residents and In-State Sellers, 2016-2020



Sales taxes paid increased 25% over a 5-year period, after adjusting for inflation.
 House Research Department. Major State Aids and Taxes, 2020 Update.

Motor Vehicle Sales Tax

Program Description

The motor vehicle sales tax is imposed on new and used motor vehicles at the time of sale. It is imposed in lieu of the general state sales tax on the sale price of motor vehicles, minus any trade-in allowance. (A flat tax of \$10 in lieu of the motor vehicle sales tax is imposed upon most low-value motor vehicles that are ten or more years old.)¹² Although the general sales tax is imposed on the long-term lease of a motor vehicle, general sales tax collected on motor vehicle leases is included with the motor vehicle sales tax as presented in this report.¹³

In 2020, the rate of the motor vehicle sales tax was 6.5 percent, which matched the rate of the general state sales tax prior to the 2008 passage of the constitutional amendment that increased the general state sales tax rate to 6.875 percent (with the increase dedicated to outdoor heritage, clean water, parks and trails, and arts and cultural heritage). The increase from the constitutional amendment did not apply to the motor vehicle sales tax. Since motor vehicle leases are subject to the general sales tax, the rate remained 6.875 percent.

Additionally in 2020, motor vehicle sales tax revenue was distributed 60 percent to the Highway User Tax Distribution fund and 40 percent to transit, which is further split 36 percent to Twin Cities metropolitan area transit and 4 percent to transit in greater Minnesota. The legislature made rate and allocation changes to the motor vehicle sales tax in 2023 and those changes are described below, but not reflected in the revenue calculations in this publication.

General sales tax revenue collected on motor vehicle leases was distributed as follows:

- 38 percent to the county state-aid highway fund for allocation to five counties in the Twin Cities metropolitan area
- 38 percent to the greater Minnesota transit account
- 13 percent to the local bridge program
- 11 percent to the highway user tax distribution fund

None of the revenue goes to the state general fund.

Tax Amount and Reporting

Calendar Year 2020 Motor Vehicle Sales Tax: \$911.8 million

The total 2020 motor vehicle sales tax revenue is \$911.8 million. Of this amount, the motor vehicle sales tax was \$829.4 million and the general sales tax on motor vehicle leases was \$82.4 million. The Department of Public Safety collects the motor vehicle sales tax. Due to the

¹² The flat tax in lieu is \$150 for certain collector vehicles and fire trucks.

¹³ The data for sales tax on motor vehicle leases is only available on a fiscal year basis. This report allocates collections in fiscal years using 50 percent of the revenue in each of the corresponding calendar years.

method of collection, the amount of actual tax liability from each county is not available. The state total is allocated to counties based on two equally weighted factors:

- the number of passenger vehicles and pickup trucks registered in each county, as reported by the Department of Public Safety
- motor vehicle registration tax by county, as estimated by the Department of Public Safety

Vehicle counts serve as a proxy for the residence of vehicle owners, who pay the sales tax. Motor vehicle registration tax estimates serve as a proxy for the value of vehicles purchased.

Motor vehicle sales tax data was obtained from the Department of Transportation.

Recent Law Changes

In 2023, the legislature increased the rate of the motor vehicle sales tax from 6.5 percent to 6.875 percent, which matches the general sales tax rate (including the constitutional amendment increase).

Additionally, the legislature changed the allocation of revenue as follows:

- 34.3 percent to the metropolitan area transit account;
- 5.7 percent to the greater Minnesota transit account; and
- 60 percent to the highway user tax distribution fund.

Prior to these changes, the legislature had not made significant changes to the motor vehicle sales tax since 2007. For the general sales tax on motor vehicle leases, adjustments in 2013 and 2014 yielded a one-year cap on revenue allocated to counties, and the allocation formula was revised in 2017.

This version of the report contains data through 2020. Future versions of the report will contain data related to the 2023 changes.

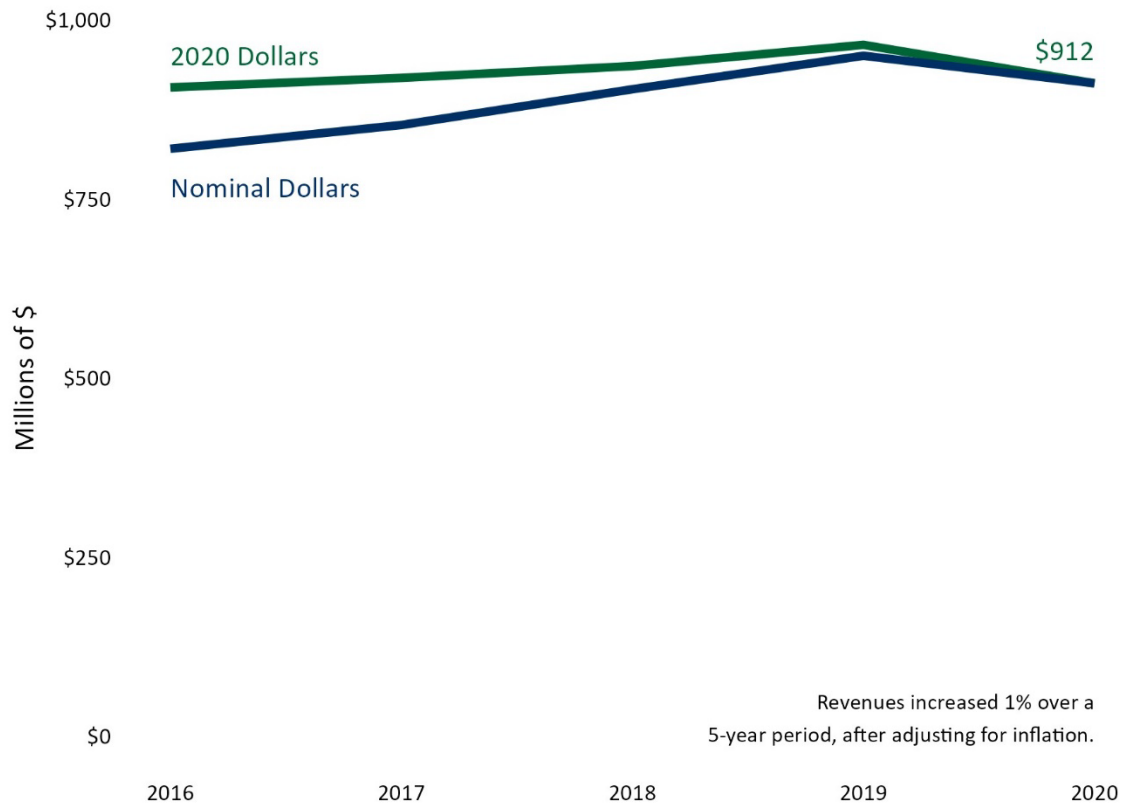
The Past Five Years of the Motor Vehicle Sales Tax

The table below shows the distribution of motor vehicle sales tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of motor vehicle sales tax for that same time period in nominal and constant (inflation-adjusted) dollars.

Motor Vehicle Sales Tax: Calendar Years 2016 to 2020
Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Tax
State	\$820,404	\$853,554	\$903,508	\$950,230	\$911,801	11%
<u>Northern Regions</u>						
Northwest (1)	14,616	14,898	15,741	16,387	15,573	7
Headwaters (2)	11,904	12,058	12,888	13,587	13,039	10
Arrowhead (3)	48,959	49,832	52,783	57,089	54,700	12
West Central (4)	35,507	36,440	38,535	42,074	40,382	14
Five (5)	26,163	26,719	28,478	31,216	29,991	15
East Central (7E)	25,692	27,448	29,254	29,708	28,795	12
<u>Southern Regions</u>						
Six East (6E)	19,171	19,542	20,615	22,186	21,234	11
Upper MN Valley (6W)	7,950	8,142	8,570	8,898	8,354	5
Central MN (7W)	64,364	66,232	70,465	77,679	75,368	17
Southwest (8)	20,035	20,315	21,402	22,236	21,067	5
Nine (9)	36,170	37,053	39,023	42,147	40,114	11
Southeastern MN (10)	75,014	78,706	83,106	89,254	85,797	14
Total Nonmetro	\$385,545	\$397,384	\$420,861	\$452,460	\$434,415	13%
<u>Metro Region</u>						
Hennepin County	174,820	178,689	188,122	217,587	209,720	20
Ramsey County	68,755	72,334	76,799	83,697	80,620	17
Remaining Metro	191,284	205,147	217,726	196,485	187,047	-2
Total Metro	\$434,859	\$456,170	\$482,647	\$497,770	\$477,387	10%

Statewide Motor Vehicle Sales Tax, 2016-2020



House Research Department. Major State Aids and Taxes, 2020 Update.

Motor Vehicle Registration Tax

Program Description

The motor vehicle registration tax is imposed annually on each motor vehicle registered in Minnesota. The tax on passenger cars, pickup trucks, and vans is equal to a \$10 flat amount, plus an additional amount based on the vehicle's age and original value. In 2020, the tax rate started at 1.25 percent of the vehicle's original value. The rate decreased with vehicle age, and for older vehicles it shifted to a minimum \$25 flat tax. The legislature made significant changes to the motor vehicle registration tax in 2023 and those changes are described below, but not reflected in the revenue calculations in this publication.

The tax on trucks and buses is based upon the type, weight, and age of the vehicle. A minimum tax applies to each type of vehicle. There is also a flat tax on motorcycles and mopeds. The tax is paid when the vehicle is first registered in Minnesota to use the public streets and annually thereafter when it is re-registered.

Tax Amount and Reporting

Calendar Year 2020 Motor Vehicle Registration Tax: \$814.3 million

The total motor vehicle registration tax revenue for calendar year 2020 was \$814.3 million. The tax is collected by the Department of Public Safety. The amount of actual tax liability from each county is not available. The statewide total was allocated to counties based on Department of Public Safety estimates of the amount actually remitted from each county. Revenue from this tax is deposited in the Highway User Tax Distribution Fund.

Registration tax revenue goes into the Highway User Tax Distribution Fund and is dedicated for highway use. (See page 18 for description of the allocation of the Highway User Tax Distribution Fund.)

The statewide motor vehicle registration tax amount came from the Department of Revenue.

Recent Law Changes

The 2023 Legislature increased the base tax rate from 1.285 percent to 1.575 percent of the manufacturer's suggested retail price of the vehicle (with a different rate for older vehicles in which destination charge is used in the calculation). The legislature also revised the factors used in the schedule of depreciation. Lastly, the flat tax of \$25 that applies to vehicles 11 years old or older was decreased to \$20.

Prior to this, in 2020, the legislature modified and clarified calculation of the motor vehicle registration tax, so that the revised formula is primarily based on manufacturer's suggested retail price without other cost or price adjustments. Prior to that, the last significant changes were made in 2008.

This version of the report contains data through 2020. Future versions of the report will contain data related to the 2023 changes.

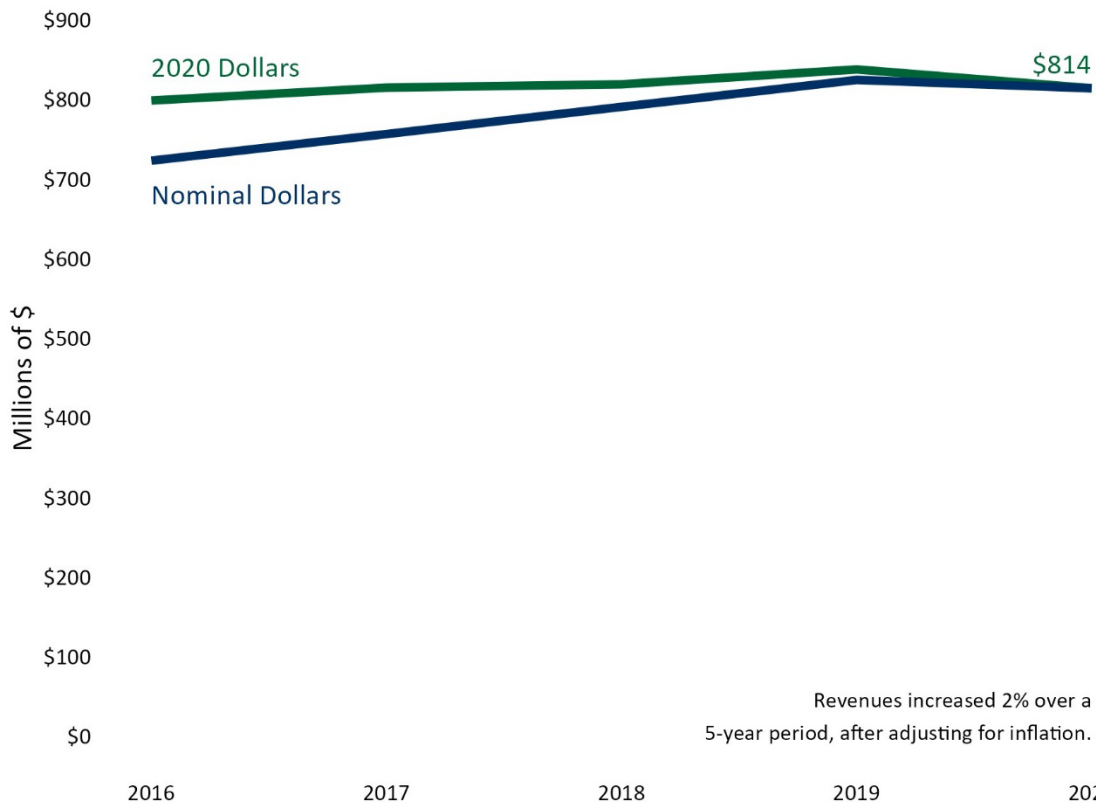
The Past Five Years of the Motor Vehicle Registration Tax

The table below shows the distribution of the motor vehicle registration tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the motor vehicle registration tax for that same time period in nominal and constant (inflation-adjusted) dollars.

Motor Vehicle Registration Tax: Calendar Years 2016 to 2020 Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Tax
State	\$723,454	\$756,817	\$791,022	\$824,834	\$814,347	13%
<u>Northern Regions</u>						
Northwest (1)	12,460	12,725	13,203	13,247	12,897	4
Headwaters (2)	9,676	9,892	10,384	10,525	10,391	7
Arrowhead (3)	41,178	42,094	43,898	46,549	45,905	11
West Central (4)	29,905	30,775	32,040	34,186	33,684	13
Five (5)	21,171	21,691	22,723	24,395	24,064	14
East Central (7E)	20,642	22,633	23,670	22,953	22,949	11
<u>Southern Regions</u>						
Six East (6E)	16,287	16,671	17,284	18,108	17,812	9
Upper MN Valley (6W)	6,878	7,039	7,279	7,259	6,941	1
Central MN (7W)	56,080	57,935	60,848	66,363	66,387	18
Southwest (8)	17,138	17,384	18,026	17,935	17,341	1
Nine (9)	30,816	31,605	32,784	34,737	33,967	10
Southeastern MN (10)	64,957	67,627	70,531	74,163	73,427	13
Total Nonmetro	\$327,188	\$338,072	\$352,669	\$370,419	\$365,764	12%
<u>Metro Region</u>						
Hennepin County	161,531	164,261	171,323	199,436	198,533	23
Ramsey County	59,158	62,484	65,580	71,790	71,402	21
Remaining Metro	175,578	192,000	201,451	183,188	178,648	2
Total Metro	\$396,266	\$418,745	\$438,353	\$454,414	\$448,583	13%

Statewide Motor Vehicle Registration Tax, 2016-2020



Revenues increased 2% over a 5-year period, after adjusting for inflation.

House Research Department. Major State Aids and Taxes, 2020 Update.

Motor Fuels Tax (Gas Tax)

Program Description

The motor fuels tax is imposed on gasoline, diesel fuel, and other motor fuels used in vehicles on public highways. In 2020, the rate on highway motor fuels including gasoline and diesel¹⁴ was 28.5 cents per gallon. This report does not include the motor fuels tax collected on aviation fuel, which is administered separately from the tax on fuel used in vehicles on public highways. The legislature made changes to the motor fuels tax in 2023 and those changes are described below, but not reflected in the revenue calculations in this publication.

Tax Amount and Reporting

Calendar Year 2020 Motor Fuels Tax: \$827.3 million

The total net amount after refunds of the motor fuels tax for calendar year 2020 was \$827.3 million. This is the gross amount before distributions (based on motor fuel use attributed to nonhighway use) to snowmobile, motorboat, forest roads, and all-terrain vehicles (ATV) accounts.

Motor fuels tax revenue goes into the Highway User Tax Distribution Fund and is dedicated for highway use. (See page 18 for description of the allocation of the Highway User Tax Distribution Fund.)

Like both the motor vehicle sales tax and the motor vehicle registration tax, the amount of motor fuels tax paid by taxpayers in each county is unknown. For purposes of this report, an estimate was made for each county based on the total number of vehicle miles traveled in each county as a proportion of the total vehicle miles traveled within the state.

The statewide motor fuels tax amount and data on vehicle miles traveled was obtained from the Department of Transportation.

Recent Law Changes

The 2023 transportation finance act established indexing on the motor fuels tax imposed on gasoline, E85, and M85, which requires an annual adjustment to each tax rate that is based on increases in the Minnesota Highway Construction Cost Index. The adjusted rate must be calculated each August 1st and goes into effect the following January 1st for the next 12 months. Starting in 2025, the annual percentage change in tax rate is capped at 3 percent.

Prior to this, in 2008, the legislature provided for a phased-in increase in the motor fuels tax. The tax increased from 20 cents per gallon on April 1, 2008, phasing in over ensuing years to 28.5 cents per gallon on July 1, 2012 (which includes a 3.5 cents per gallon surcharge tied to trunk highway bonding).

¹⁴ Alternative fuels, such as liquefied natural gas and high-alcohol gasoline, are taxed at rates proportional to relative energy content.

This version of the report contains data through 2020. Future versions of the report will contain data related to the 2023 changes.

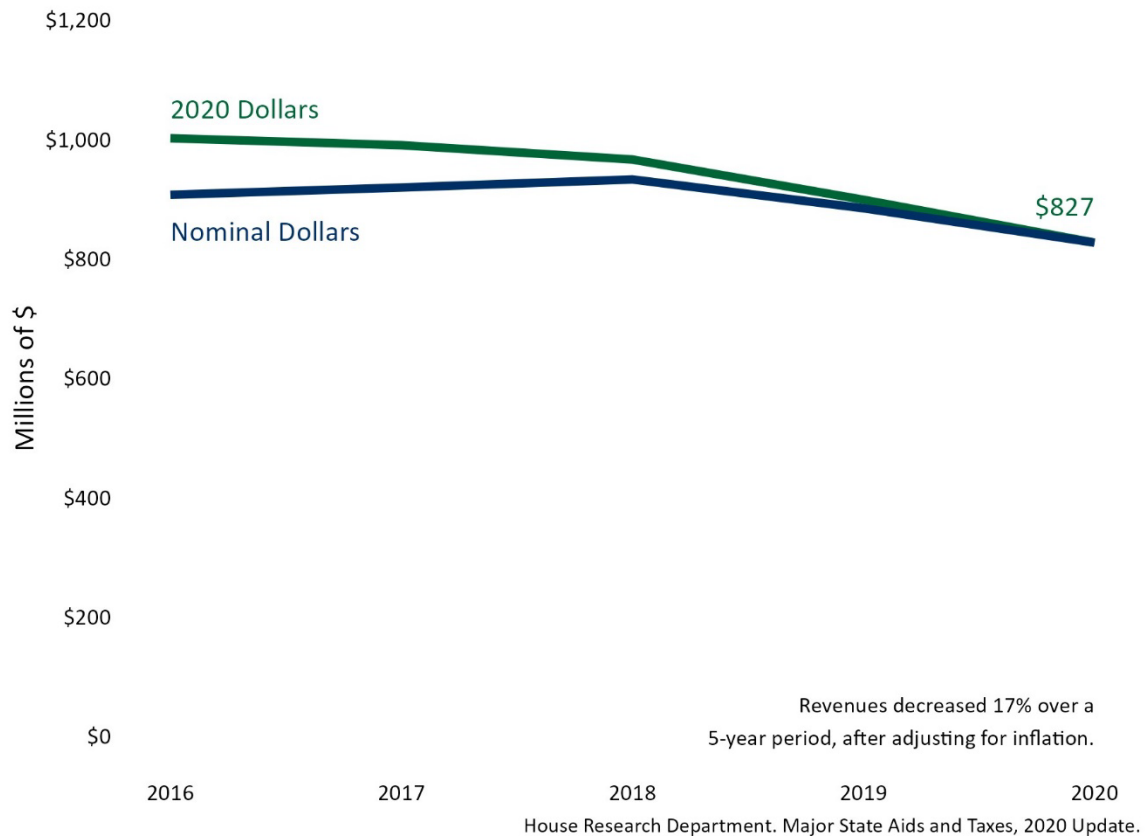
The Past Five Years of the Motor Fuels Tax

The table shows the distribution of the motor fuels tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the motor fuels tax for that same time period in nominal and constant (inflation-adjusted) dollars.

Motor Fuels Tax: Calendar Years 2016 to 2020 Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Tax
State	\$907,403	\$919,574	\$933,114	\$884,878	\$827,266	-9%
<u>Northern Regions</u>						
Northwest (1)	17,464	17,572	17,640	16,614	16,608	-5
Headwaters (2)	14,301	14,272	14,634	13,856	13,636	-5
Arrowhead (3)	58,494	59,101	60,129	56,784	54,684	-7
West Central (4)	49,859	50,297	51,268	48,653	46,501	-7
Five (5)	34,190	34,890	35,268	34,329	33,643	-2
East Central (7E)	36,560	37,066	38,057	35,903	34,736	-5
<u>Southern Regions</u>						
Six East (6E)	20,758	21,015	21,342	20,368	19,867	-4
Upper MN Valley (6W)	9,605	9,613	9,706	9,179	9,207	-4
Central MN (7W)	75,305	76,640	78,368	74,035	70,070	-7
Southwest (8)	26,489	26,682	27,089	25,757	25,550	-4
Nine (9)	40,848	41,290	42,079	40,273	38,903	-5
Southeastern MN (10)	91,258	92,230	94,453	89,562	84,915	-7
Total Nonmetro	\$475,131	\$480,670	\$490,032	\$465,313	\$448,320	-6%
<u>Metro Region</u>						
Hennepin County	177,542	178,258	179,666	171,032	152,302	-14
Ramsey County	70,976	72,750	72,903	68,210	61,113	-14
Remaining Metro	183,755	187,896	190,513	180,322	165,532	-10
Total Metro	\$432,272	\$438,904	\$443,082	\$419,565	\$378,947	-12%

Statewide Motor Fuels Tax, 2016-2020



Corporate Franchise (Income) Tax

Program Description

Corporate franchise (income) tax is imposed on the net income of corporations. The rate of the tax is 9.8 percent. The tax base is federal taxable income with a variety of Minnesota adjustments. Corporations that do business both inside and outside of Minnesota apportion their income based on the percentage of their sales that are made to purchasers in Minnesota. Corporations apportion their income based on the share of the corporation's sales that were in Minnesota. An alternative minimum tax (AMT) applies to federal alternative minimum taxable income, if it would result in a higher tax than the regular corporate franchise tax. This tax rate is 5.8 percent.

A minimum fee is imposed on corporations (including S corporations) and partnerships in addition to the regular tax or the AMT. For tax year 2020, the minimum fee ranged from \$210 to \$10,380 depending upon the corporation's sales, property, and payroll in Minnesota. The fee is indexed annually for inflation.

Tax Amount and Reporting

2020 Corporate Income Tax: \$1,665 million

The amount presented in this report was tabulated from all Minnesota corporate income tax returns filed during the calendar year ending December 31, 2020. (Most returns filed in 2020 were for calendar year 2019, but the total also includes some calendar year 2018 returns.) The total statewide amount of \$1,665 million includes taxes collected from corporations whose main offices are in other states and foreign countries. It does not include any taxes or minimum fees paid by S corporations or partnerships.

The corporate income tax data was obtained from the Department of Revenue. The location of each corporation's home office is not available. Instead, each county's total sales or gross domestic product are used as an indicator of the source or location of the corporate tax.

The 2016 state total of corporate tax was allocated using the Census Bureau's 2012 Survey of Business Owners, with the data adjusted for the change in gross sales from year to year. The Census Bureau's Survey of Business Owners was discontinued in 2017 and replaced by the Annual Business Survey (ABS). An analysis of the ABS survey data for 2017 implied that the data are not reliable for smaller geographies. As a result, the 2017 to 2020 state totals were allocated using the Bureau of Economic Analysis estimate of gross domestic product (GDP) by county.

In addition to the total dollar amount of corporate tax shown by region and by county in section 2 and online, the tables below summarize statewide data by unitary/nonunitary and by type of corporation/return.

By Unitary/Nonunitary Returns¹⁵

Returns Filed in 2019	# of Returns	% of Total	Tax Liability	% of Total	Average Tax
Unitary Returns	30,367	51.6%	\$1,511,445,315	90.8%	\$49,773
Nonunitary Returns	28,525	48.4	153,603,280	9.2	5,385
Total	58,892	100.0%	\$1,665,048,595	100.0%	\$28,273

By Type of Return

Returns Filed in 2019	# of Returns	% of Total	Tax Liability	% of Total	Average Tax
100% Minnesota Corporations					
Regular Tax	6,332	10.8%	\$46,856,911	2.8%	\$7,400
Minimum Tax	2,240	3.8	2,328,449	0.1	1,039
No Tax	4,824	8.2	0	0.0	0
Total	13,396	22.7%	\$49,185,360	3.0%	\$3,672
Multistate Corporations					
Regular Tax	18,250	31.0%	\$1,600,829,612	96.1%	\$87,717
Minimum Tax	5,061	8.6	15,033,623	0.9	2,970
No Tax	22,185	37.7	0	0.0	0
Total	45,496	77.3%	\$1,615,863,235	97.0%	\$35,517
All corporations					
Regular Tax	24,582	41.7%	\$1,647,686,523	99.0%	\$67,028
Minimum Tax	7,301	12.4	17,362,072	1.0	2,378
No Tax	27,009	45.9	0	0.0	0
Total	58,892	100.0%	\$1,665,048,595	100.0%	\$28,273

¹⁵ Related corporations, such as subsidiary, brother-sister, and parent corporations, must file on a unitary basis. For these corporations, the denominator of the corporate franchise tax apportionment formula includes the sales of all the corporations in the unitary group. The numerator is the sales of the individual corporation, and the taxable income apportioned is the total income of the unitary group.

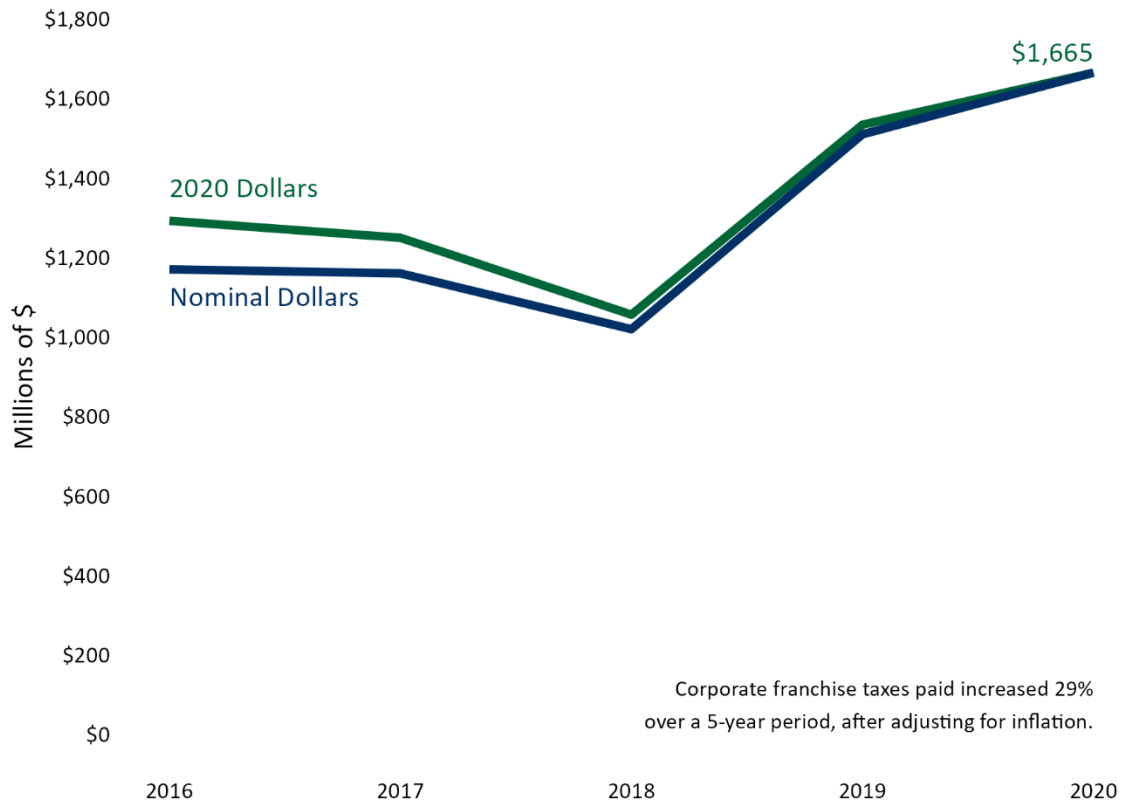
The Past Five Years of Corporate Franchise Tax

The table below shows the distribution of the corporate franchise tax in thousands of dollars for the past five years for the state and economic development regions. The graph shows total dollars of the corporate franchise tax for that same time period in nominal and constant (inflation-adjusted) dollars.

Corporate Franchise Tax: Filed Calendar Years 2016 to 2020 Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Tax
State	\$1,170,337	\$1,160,325	\$1,019,892	\$1,510,016	\$1,655,049	42%
<u>Northern Regions</u>						
Northwest (1)	14,666	17,174	14,602	21,938	25,473	74
Headwaters (2)	7,737	10,061	8,552	13,139	15,324	98
Arrowhead (3)	38,275	52,804	44,101	65,340	71,835	88
West Central (4)	26,707	32,064	27,202	39,898	45,776	71
Five (5)	16,251	20,768	17,932	26,222	29,927	84
East Central (7E)	12,001	14,997	12,952	19,580	22,781	90
<u>Southern Regions</u>						
Six East (6E)	18,821	19,446	16,754	24,443	26,947	43
Upper MN Valley (6W)	7,249	7,216	5,839	8,493	9,700	34
Central MN (7W)	51,732	60,268	52,516	77,666	89,442	73
Southwest (8)	22,006	24,833	21,927	32,304	32,970	50
Nine (9)	37,503	38,366	32,652	47,437	51,758	38
Southeastern MN (10)	69,245	89,738	77,851	115,256	129,016	86
Total Nonmetro	\$322,194	\$387,736	\$332,879	\$491,716	\$550,949	71%
<u>Metro Region</u>						
Hennepin County	494,795	433,698	379,767	565,098	624,037	26
Ramsey County	107,398	137,845	117,237	172,890	189,939	77
Remaining Metro	245,950	201,046	190,009	280,312	300,124	22
Total Metro	\$848,144	\$772,589	\$687,013	\$1,018,300	\$1,114,100	31%

Statewide Corporate Franchise Tax, 2016-2020



Corporate franchise taxes paid increased 29% over a 5-year period, after adjusting for inflation.

House Research Department. Major State Aids and Taxes, 2020 Update.

State General Levy

Program Description

A state general property tax levy was instituted as part of the overall property tax reform adopted during the 2001 legislative session. About 95 percent of the state general levy is levied on commercial/industrial property (including public utility property), and the remaining 5 percent is levied on seasonal recreational property. That portion of public utility property consisting of attached machinery used in the generation of electrical energy is exempt from the state general levy, as is the property at the Minneapolis-St. Paul International Airport and the St. Paul intermediate airport.

For its first year in taxes payable 2002, the state general levy was \$592 million. Each subsequent year's levy was increased from the previous year's levy by the increase in the implicit price deflator for government consumption expenditures and gross investments published by the U.S. Bureau of Economic Analysis (an index of inflation).¹⁶ This annual inflation adjustment continued until 2018.

Tax Amount and Reporting

Payable Year 2020 State General Levy: \$781.9 million

The total state general levy for taxes payable in 2020 was \$781.9 million.

For taxes payable in 2020, the state tax rate was 38.846 percent for commercial-industrial/public utility property and 17.997 percent for seasonal recreational property, which provided revenues of \$740.0 million and \$41.8 million respectively.

The tax rates are computed by the Department of Revenue.

Recent Law Changes

The 2017 Legislature exempted the first \$100,000 of each commercial-industrial property's value from the state general levy beginning with taxes payable in 2018, and made a corresponding reduction in the amount of the levy so that the burden would not be shifted to other commercial-industrial properties. It also froze the levy amounts for both commercial-industrial property and seasonal recreational property for future years.

The 2019 Legislature reduced the state general levy by a total of \$50 million. The commercial-industrial portion of the levy was reduced by \$47.5 million and the seasonal recreational portion of the levy was reduced by \$2.5 million.

¹⁶ The historical graphs throughout this report adjust for inflation using the implicit price deflator for state and local government expenditures, as published by the U.S. Bureau of Economic Analysis, a slightly different measure than the general government expenditure index used to adjust the state general levy amount.

The 2021 Legislature increased the exemption for each commercial-industrial property to the first \$150,000 of value. It also reduced the commercial-industrial portion of the levy by \$20.1 million to prevent shifting of the tax as a result of the increase in the exemption.

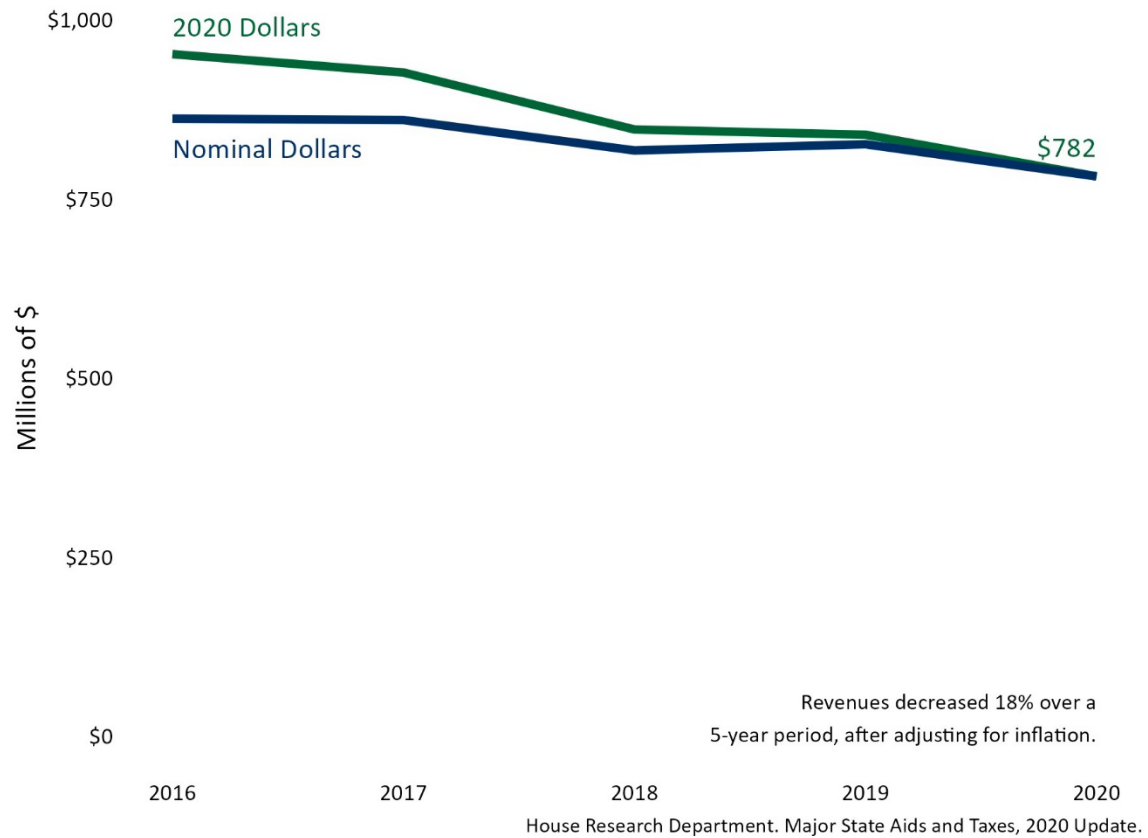
The Last Five Years of State General Levy

The table below shows the distribution of the state general levy in thousands of dollars for the last five years for the state and economic development regions. The graph shows total dollars of the state general levy for that same time period in nominal and constant (inflation-adjusted) dollars.

State General Levy: Payable 2016 to 2020 Nominal dollars, in thousands

	2016	2017	2018	2019	2020	5-Yr. Chg. Tax
State	\$862,457	\$860,516	\$818,054	\$826,715	\$781,876	-9%
<u>Northern Regions</u>						
Northwest (1)	12,931	13,096	12,481	11,842	10,261	-21
Headwaters (2)	14,248	13,849	13,143	12,992	12,211	-14
Arrowhead (3)	48,283	48,565	44,759	44,569	40,373	-16
West Central (4)	32,556	31,891	29,229	29,225	28,177	-13
Five (5)	29,630	29,580	26,758	27,185	25,357	-14
East Central (7E)	11,370	11,179	9,335	9,322	8,878	-22
<u>Southern Regions</u>						
Six East (6E)	13,010	13,040	11,201	11,509	10,609	-18
Upper MN Valley (6W)	4,831	4,868	4,403	4,196	4,003	-17
Central MN (7W)	50,658	49,218	43,794	44,170	40,770	-20
Southwest (8)	15,725	16,102	14,270	14,385	13,454	-14
Nine (9)	27,399	27,325	23,718	23,980	23,062	-16
Southeastern MN (10)	60,453	61,136	53,856	55,147	51,933	-14
Total Nonmetro	\$321,094	\$319,850	\$286,947	\$288,522	\$269,087	-16%
<u>Metro Region</u>						
Hennepin County	291,614	293,439	293,716	293,649	281,211	-4
Ramsey County	85,153	83,592	83,826	85,342	78,595	-8
Remaining Metro	164,596	163,635	153,565	159,201	152,983	-7
Total Metro	\$541,363	\$540,666	\$531,107	\$538,193	\$512,789	-5%

Statewide State General Levy, 2016-2020



Section 2: Summary Data

This section contains summary data for the most recent available year on

- statewide totals
- the seven-county metro and the 80 nonmetro counties

General Explanation of Tables

The basic format is the same for all the regional and county tables on our interactive online tool.

I. MAJOR STATE AIDS/CREDITS. Although all of the aids/credits listed are paid by the state, there are three types of aids/credits.

A. Aids to Local Governments

- Are paid to or for the benefit of the local taxing district
- Are paid on behalf of individuals in the county (e.g., MinnesotaCare)
- Reduce what is needed from the property tax levy

B. Property Tax Credits

- Are paid to the local taxing district, but are listed on the property tax statement as a credit against the property's gross tax
- Benefit only certain types of property
- Are computed on a parcel-by-parcel basis on qualifying property

C. Property Tax Refunds (Targeting)

- Are paid directly to homeowners and renters (property tax refund)
- Are based upon a relationship between household income and the homeowner's property tax or the renter's share of property tax (property tax refund)
- Are targeted to homeowners who have large property tax increases in one year (targeting)

II. PROPERTY TAX DATA

Property Tax Levy for taxes payable in 2020 by type of taxing district (including the state property tax levy), as well as property taxes payable, net of credits.

III. MAJOR STATE TAXES

- Individual income tax
- Sales/use tax
- Motor vehicle sales tax
- Motor vehicle registration tax
- Motor fuels tax (i.e., gas tax)

- Corporate income tax
- State general property tax

The motor vehicle sales tax, the motor vehicle registration tax, the motor fuels tax, and the corporate income tax have been included in this report on a county-by-county basis. However, the county amounts are estimates since actual collections by county are not available. (See the sections for each of the apportioned taxes for detail on the county apportionment calculations.)

Statewide Summary

Tables 2-1 and 2-2 contain the statewide totals of all the state aids and taxes presented in this report. Table 2-1 summarizes the total amounts for Minnesota residents only; Table 2-2 also includes income and sales taxes paid by nonresidents.

2020 population is used to calculate per capita amounts in the tables throughout the report. The 2020 statewide population is 5,706,494. The metro population is 3,163,104; 55.4 percent of the state total. The nonmetro population is 2,543,390; 44.6 percent of the state total.

The total state aids and credits contained in this report equal about \$19.9 billion, whereas the total of the seven major taxes listed in this report equal \$20.9 billion paid by residents and an additional \$734 million paid by nonresidents (for a total tax amount of \$21.6 billion).

The total taxes presented in this report **are not the total of all taxes collected by the state**. The total state net tax receipts were about \$26.7 billion in fiscal year 2019 and \$26.2 billion in fiscal year 2020. Furthermore, the taxes presented in this report are not for a specific time period but rather are the latest available data and/or the next data in sequence to the 2019 Update report (published October 2023). Therefore, the \$21.6 billion total taxes listed in this report (residents and nonresidents) is about 82.4 percent of the total taxes actually collected over that period.

The taxes not contained in this report include estate, mortgage registry and deed, insurance gross premiums, MinnesotaCare, mineral, cigarette and tobacco products, lawful gambling, and alcoholic beverages. The collections from some of these taxes are dedicated for specific purposes, and amounts are not available by county.

Table 2-1: Statewide Summary – Residents Only

	Amount (\$1,000)	Percent	Amount Per Capita
Aids to Local Governments			
Education Aid	9,404,401	49.4%	1,648
Human Services Aids			
Medical Assistance	4,865,557	25.5%	853
MN Family Investment Program	96,493	0.5%	17
General Assistance	50,558	0.3%	9
MinnesotaCare	29,713	0.2%	5
Social Services	2,368,268	12.4%	415
Misc Human Services Aid	185,860	1.0%	33
Total Human Services Aids	7,596,449	39.9%	1,331

	Amount (\$1,000)	Percent	Amount Per Capita
Aids to Local Governments			
Highway Aids			
County Highway Aid	787,308	4.1%	138
City Highway Aid	265,914	1.4%	47
Town Highway Aid	51,540	0.3%	9
Total Highway Aid	1,104,762	5.8%	194
Other Aids			
Local Government Aid (LGA)	560,398	2.9%	98
Disparity Reduction Aid (DRA)	18,300	0.1%	3
County Program Aid	264,012	1.4%	46
Community Corrections Funding	107,509	0.6%	19
Total Aids	19,055,832	100.0%	3,339
Property Tax Credits			
Ag Market Value Credit	36,748	29.5%	6
School Bond Ag Credit	57,039	45.8%	10
Misc Prop Tax Credits	30,710	24.7%	5
Total Credits	124,496	100.0%	22
Property Tax Refunds			
Homeowner PTR	541,984	70.7%	95
Renter PTR	215,167	28.1%	38
Targeting PTR	9,896	1.3%	2
Total Property Tax Refund	767,047	100.0%	134
Property Tax Data (Payable 2020)			
County Levy	3,246,363	29.1%	569
City/Town Levy	2,721,299	24.4%	477
School NTC Levy	1,825,841	16.4%	320
School RMV Levy	1,234,278	11.1%	216
Miscellaneous District Levy	1,339,023	12.0%	235
State Levy	781,876	7.0%	137
Total Levy	11,148,679	100.0%	1,954
– Property Tax Credits	124,496		22

	Amount (\$1,000)	Percent	Amount Per Capita
Net Prop Tax Payable	11,024,183		1,932
Major State Taxes			
Individual Income Tax (2019 filed 2020)	10,782,056	51.6%	1,889
Sales/Use Tax (Calendar 2020)	6,416,109	30.7%	1,124
Motor Vehicle Sales Tax (Calendar 2020)	911,801	4.4%	160
Motor Vehicle Registration Tax (Calendar 2020)	814,347	3.9%	143
Gas Tax (Calendar 2020)	827,266	4.0%	145
Corp Income Tax (Calendar 2020)	1,665,049	8.0%	292
State Prop Tax (Payable 2020)	781,876	3.7%	137
Total Taxes	20,896,996	100.0%	3,662

Table 2-2: Statewide Summary – Includes Nonresidents

	Amount (\$1,000)	Percent	Amount Per Capita
Aids to Local Governments			
Education Aid	9,404,401	49.4%	1,648
Human Services Aids			
Medical Assistance	4,865,557	25.5%	853
MN Family Investment Program	96,493	0.5%	17
General Assistance	50,558	0.3%	9
MinnesotaCare	29,713	0.2%	5
Social Services	2,368,268	12.4%	415
Misc Human Services Aid	185,860	1.0%	33
Total Human Services Aids	7,596,449	39.9%	1,331
Highway Aids			
County Highway Aid	787,308	4.1%	138
City Highway Aid	265,914	1.4%	47
Town Highway Aid	51,540	0.3%	9
Total Highway Aid	1,104,762	5.8%	194
Other Aids			
Local Government Aid (LGA)	560,398	2.9%	98
Disparity Reduction Aid (DRA)	18,300	0.1%	3
County Program Aid	264,012	1.4%	46
Community Corrections Funding	107,509	0.6%	19
Total Aids	19,055,832	100.0%	3,339
Property Tax Credits			
Ag Market Value Credit	36,748	29.5%	6
School Bond Ag Credit	57,039	45.8%	10
Misc Prop Tax Credits	30,710	24.7%	5
Total Credits	124,496	100.0%	22
Property Tax Refunds			
Homeowner PTR	541,984	70.7%	95
Renter PTR	215,167	28.1%	38
Targeting PTR	9,896	1.3%	2
Total Property Tax Refund	767,047	100.0%	134

	Amount (\$1,000)	Percent	Amount Per Capita
Property Tax Data (Payable 2020)			
County Levy	3,246,363	29.1%	569
City/Town Levy	2,721,299	24.4%	477
School NTC Levy	1,825,841	16.4%	320
School RMV Levy	1,234,278	11.1%	216
Miscellaneous District Levy	1,339,023	12.0%	235
State Levy	781,876	7.0%	137
Total Levy	11,148,679	100.0%	1,954
– Property Tax Credits	124,496		22
Net Prop Tax Payable	11,024,183		1,932
Major State Taxes			
Individual Income Tax (2019 filed 2020)	11,516,318	53.2%	2,018
Sales/Use Tax (Calendar 2020)	6,416,109	29.7%	1,124
Motor Vehicle Sales Tax (Calendar 2020)	911,801	4.2%	160
Motor Vehicle Reg Tax (Calendar 2020)	814,347	3.8%	143
Gas Tax (Calendar 2020)	827,266	3.8%	145
Corp Income Tax (Calendar 2020)	1,665,049	7.7%	292
State Prop Tax (Payable 2020)	781,876	3.6%	137
Total Taxes	21,631,258	100.0%	3,791

Metro/Nonmetro Data

Tables 2-3 and 2-4 contain data comparing the metro and nonmetro counties. The metro counties are the Twin Cities seven metropolitan counties—Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington. The nonmetro counties are the remaining 80 counties in the state.

Table 2-3 has the metro and nonmetro dollar amounts of aids and taxes and a per capita comparison.

Table 2-4 presents a statewide breakdown of metro versus nonmetro for each of the categories. Each item adds across to 100 percent; for example 55.9 percent of the education aid goes to metro counties and 44.1 percent goes to nonmetro counties.

2020 population is used to calculate per capita amounts in the tables throughout this report.

Note: The metro and nonmetro totals add to the state totals in Table 2-1, which include only Minnesota residents.

The additional amounts paid by out-of-state taxpayers have not been allocated to any county. The amount of sales and income taxes that is unallocated to Minnesota is about \$2.04 billion.

Table 2-3: Seven-County Metro and Greater Minnesota, Aids and Taxes

	Seven-County Metro			Greater Minnesota		
	Amount (\$1,000)	Percent	Amount Per Capita	Amount (\$1,000)	Percent	Amount Per Capita
Aids to Local Governments						
Education Aid	5,258,863	50.6%	1,663	4,145,537	47.8%	
Human Services Aid						
Medical Assistance	2,801,852	27.0%	886	2,063,705	23.8%	811
MN Family Investment Program	57,694	0.6%	18	38,799	0.4%	15
General Assistance	35,036	0.3%	11	15,522	0.2%	6
MinnesotaCare	24,948	0.2%	8	4,765	0.1%	2
Social Services	1,324,290	12.7%	419	1,043,978	12.0%	410
Misc Human Services Aid	119,873	1.2%	38	65,987	0.8%	26
Total Human Services Aids	4,363,694	42.0%	1,380	3,232,755	37.3%	1,271

	Seven-County Metro			Greater Minnesota		
	Amount (\$1,000)	Percent	Amount Per Capita	Amount (\$1,000)	Percent	Amount Per Capita
Highway Aids						
County Highway Aid	226,435	2.2%	72	560,873	6.5%	221
City Highway Aid	183,609	1.8%	58	82,305	0.9%	32
Town Highway Aid	1,372	0.0%	0	50,168	0.6%	20
Total Highway Aid	411,417	4.0%	130	693,345	8.0%	273
Other Aids						
Local Government Aid (LGA)	194,202	1.9%	61	366,196	4.2%	144
Disparity Reduction Aid (DRA)	1,365	0.0%	0	16,935	0.2%	7
County Program Aid	117,209	1.1%	37	146,803	1.7%	58
Community Corrections Funding	44,624	0.4%	14	62,885	0.7%	25
Total Aids	10,391,374	100.0%	3,285	8,664,457	100.0%	3,407
Property Tax Credits						
Ag Market Value Credit	1,906	32.5%	1	34,842	29.4%	14
School Bond Ag Credit	3,366	57.4%	1	53,673	45.2%	21
Misc Prop Tax Credits	591	10.1%	0	30,119	25.4%	12
Total Credits	5,863	100.0%	2	118,634	100.0%	47
Property Tax Refunds						
Homeowner PTR	353,917	69.6%	112	188,067	72.8%	74
Renter PTR	149,603	29.4%	47	65,564	25.4%	26
Targeting PTR	5,332	1.0%	2	4,564	1.8%	2
Total Property Tax Refund	508,852	100.0%	161	258,195	100.0%	102

	Seven-County Metro		Greater Minnesota			
	Amount (\$1,000)	Percent	Amount Per Capita	Amount (\$1,000)	Percent	Amount Per Capita
Property Tax Data (Payable 2020)						
County Levy	1,553,589	22.6%	491	1,692,774	39.7%	666
City/Town Levy	1,672,189	24.3%	529	1,049,110	24.6%	412
School NTC Levy	1,084,394	15.8%	343	741,446	17.4%	292
School RMV Levy	849,551	12.3%	269	384,726	9.0%	151
Miscellaneous District Levy	1,207,643	17.6%	382	131,380	3.1%	52
State Levy	512,789	7.5%	162	269,087	6.3%	106
Total Levy	6,880,156	100.0%	2,175	4,268,523	100.0%	1,678
– Property Tax Credits	5,863		2	118,634		47
Net Prop Tax Payable	6,874,294		2,173	4,149,889		1,632
Major State Taxes						
Individual Income Tax (2019 filed 2020)	7,435,218	54.5%	2,351	3,346,838	46.2%	1,316
Sales/Use Tax (Calendar 2020)	3,283,574	24.1%	1,038	3,132,535	43.2%	1,232
Mtr Vehicle Sales Tax (Calendar 2020)	477,387	3.5%	151	434,415	6.0%	171
Mtr Vehicle Reg Tax (Calendar 2020)	448,583	3.3%	142	365,764	5.0%	144
Gas Tax (Calendar 2020)	378,947	2.8%	120	448,320	6.2%	176
Corp Income Tax (Calendar 2020)	1,114,100	8.2%	352	550,949	7.6%	217
State Prop Tax (Payable 2020)	512,789	3.8%	162	269,087	3.7%	106
Total Taxes	13,650,598	100.0%	4,316	7,246,398	100.0%	2,849

Table 2-4: Seven-County Metro and Greater Minnesota, Share of Aids and Taxes

	Seven-County Metro		Greater Minnesota	
	Amount (\$1,000)	Share of Total	Amount (\$1,000)	Share of Total
Aids to Local Governments				
Education Aid	5,258,863	55.9%	4,145,537	44.1%
Human Services Aid				
Medical Assistance	2,801,852	57.6%	2,063,705	42.4%
MN Family Investment Program	57,694	59.8%	38,799	40.2%
General Assistance	35,036	69.3%	15,522	30.7%
MinnesotaCare	24,948	84.0%	4,765	16.0%
Social Services	1,324,290	55.9%	1,043,978	44.1%
Misc Human Services Aid	119,873	64.5%	65,987	35.5%
Total Human Services and Health Care Aids	4,363,694	57.4%	3,232,755	42.6%
Highway Aids				
County Highway Aid	226,435	28.8%	560,873	71.2%
City Highway Aid	183,609	69.0%	82,305	31.0%
Town Highway Aid	1,372	2.7%	50,168	97.3%
Total Highway Aid	411,417	37.2%	693,345	62.8%
Other Aids				
Local Government Aid (LGA)	194,202	34.7%	366,196	65.3%
Disparity Reduction Aid (DRA)	1,365	7.5%	16,935	92.5%
County Program Aid	117,209	44.4%	146,803	55.6%
Community Corrections Funding	44,624	41.5%	62,885	58.5%
Total Aids	10,391,374	54.5%	8,664,457	45.5%
Property Tax Credits				
Ag Market Value Credit	1,906	5.2%	34,842	94.8%
School Bond Ag Credit	3,366	5.9%	53,673	94.1%
Misc Prop Tax Credits	591	1.9%	30,119	98.1%
Total Credits	5,863	4.7%	118,634	95.3%

	Seven-County Metro		Greater Minnesota	
	Amount (\$1,000)	Share of Total	Amount (\$1,000)	Share of Total
Property Tax Refunds				
Homeowner PTR	353,917	65.3%	188,067	34.7%
Renter PTR	149,603	69.5%	65,564	30.5%
Targeting PTR	5,332	53.9%	4,564	46.1%
Total Property Tax Refund	508,852	66.3%	258,195	33.7%
Property Tax Data (Payable 2020)				
County Levy	1,553,589	47.9%	1,692,774	52.1%
City/Town Levy	1,672,189	61.4%	1,049,110	38.6%
School NTC Levy	1,084,394	59.4%	741,446	40.6%
School RMV Levy	849,551	68.8%	384,726	31.2%
Miscellaneous District Levy	1,207,643	90.2%	131,380	9.8%
State Levy	512,789	65.6%	269,087	34.4%
Total Levy	6,880,156	61.7%	4,268,523	38.3%
– Property Tax Credits	5,863		118,634	
Net Prop Tax Payable	6,874,294	62.4%	4,149,889	37.6%
Major State Taxes				
Individual Income Tax (2019 filed 2020)	7,435,218	69.0%	3,346,838	31.0%
Sales/Use Tax (Calendar 2020)	3,283,574	51.2%	3,132,535	48.8%
Mtr Vehicle Sales Tax (Calendar 2020)	477,387	52.4%	434,415	47.6%
Mtr Vehicle Reg Tax (Calendar 2020)	448,583	55.1%	365,764	44.9%
Gas Tax (Calendar 2020)	378,947	45.8%	448,320	54.2%
Corp Income Tax (Calendar 2020)	1,114,100	66.9%	550,949	33.1%
State Prop Tax (Payable 2020)	512,789	65.6%	269,087	34.4%
Total Taxes	13,650,598	65.3%	7,246,398	34.7%